Concentra™
FINANCIAL

CANADA'S 50 BEST MANAGED COMPANIES

Choose Your Future

2006 Annual Report

CONCENTRA FINANCIAL

Financial Highlights

(Millions of Dollars)

For the Year	2006	2005	2004	2003	2002
Gross revenue	234.9	195.9	148.7	141.5	110.6
Interest margin	56.3	59.2	29.2	36.2	28.4
Provision for credit losses	9.0	9.5	8.2	10.7	6.8
Non-interest expenses	95.6	86.0	74.8	72.4	52.0
Net income	13.7	14.0	5.4	4.4	2.3
Dividends	9.6	2.9	2.2	1.3	1.6
At Year End					
Total assets	3,304.2	2,826.4	1,437.0	1,312.9	1,149.2
Loans	2,242.0	2,050.9	1,259.1	1,153.2	1,026.8
Deposit liabilities	2,690.3	2,397.6	1,247.8	1,154.9	1,004.2
Retained earnings	40.0	34.2	22.6	19.4	16.3
Assets under administration	19,200	17,700	14,200	12,600	10,900
Net Assets to Net Total Capital Ratio	16.8	16.4	18.8	18.1	16.6
Net Total Capital as % of Risk Weighted Assets	12.5%	11.9%	13.4%	14.0%	15.3%

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CONCENTRA FINANCIAL

2006 Board of Directors

Karl Baumgardner
Representing Saskatchewan Region
Member, Audit and Risk Committee

Vern Buck
Representing Saskatchewan Region
Member, Executive Committee

Bruce Corbett
Representing Ontario Region
Chair, Governance Committee; Member, Conduct Review Committee

Robert A. Effa
Representing Saskatchewan Region
Chair, Board of Directors and Executive Committee

Harvey Granatier
Representing Saskatchewan Region
Member, Conduct Review and Governance Committees

Carol Jardine
Representing National Services Region
Member, Conduct Review and Governance Committees

Kevin Lukey
Representing Saskatchewan Region
Chair, Conduct Review Committee; Member, Governance Committee

Wayne McLeod
Representing National Services Region
Vice-Chair, Board of Directors and Executive Committee

L. Robert McVeigh
Representing Minority Region
Member, Audit and Risk Committee

Les Messmer
Representing Saskatchewan Region
Chair, Audit and Risk Committee

Al Morin
Representing Manitoba Region
Member, Executive and Audit and Risk Committees

David Phillips
Representing Class B Shareholder
Member, Conduct Review and Governance Committees

Ian Russell
Representing Ontario Region
Member, Executive Committee

Helen Sukovieff
Representing Saskatchewan Region
Member, Audit and Risk Committee

Nigel Teucher
Representing Alberta Region
Member, Audit and Risk Committee

Message from the President/CEO and Board Chair

Concentra Financial had a very successful year in 2006. Our financial performance was strong with earnings of $13.7 million generated, total corporate assets at $3.3 billion and assets under administration at $19.2 billion. But, our success goes well beyond our financial performance.

Significant progress was made with our strategic intents which focused on *Positioning for Market Relevance* and *Expansion and Development*. Efforts undertaken to position Concentra Financial for market relevance involved building brand awareness and market presence; continuing development of our people and our culture; enhancing our understanding of our clients; and improving the efficiency of our infrastructure. We also made progress in developing new products and services and enhancing existing solutions to respond to new client opportunities and needs. Important advancements were made in terms of expansion and development as Concentra Financial engaged in discussion and negotiations with a number of potential partners. We also moved forward with expansion of certain business lines in Alberta, British Columbia, Ontario and Atlantic Canada.

From a client perspective, we had a very positive year with client satisfaction survey results improving from 82% in 2005 to 84% in 2006. Concentra Financial opens the door on new and exciting choices for our clients. We do this by combining a focus on innovation with an in-depth understanding of our clients' business, challenges, strengths and goals. The results are customized business solutions that help clients attain their vision of success.

It is our talented and dedicated team of professionals that make this customized approach possible. We are very proud of the superior service our employees provide as well as our board of directors' visionary leadership and the strong corporate governance practices that underpin all of our efforts. It is thanks to the commitment of our board, management and employees that Concentra Financial has once again been recognized as one of Canada's 50 Best Managed Companies.

At Concentra Financial, we believe the future is not something to wait for, it's something to be created. In choosing our purpose, our goals and our actions, we choose our future. Concentra Financial is building a future full of opportunity and sharing that opportunity with our clients, employees and partners.

Robert A. Effa, Board Chair
Myrna J. Bentley, President and Chief Executive Officer

Management Discussion And Analysis

The following discussion and analysis on the operations and financial position of Concentra Financial (Concentra) at December 31, 2006 should be read in conjunction with the Consolidated Financial Statements and the accompanying notes.

Financial Performance

Concentra demonstrated financial stability throughout 2006. The results reflect the company's ability to strike a balance between providing value to Canada's credit unions and maximizing shareholder performance. The company is dedicated to continuously refining business practices to meet the demands of a dynamic financial services industry and expanding the boundaries of our financial targets.

Concentra establishes long-term financial performance objectives that are reviewed and approved annually by the board of directors as an essential component of the strategic planning process. The measurement of these key financial performance indicators excludes the company's Card Operations as the related risks and rewards of this business segment accrue to the holders of the Class C securities (refer to Consolidated Financial Statements Notes 14, 15 and 18).

The following is a summary of the company's key financial performance indicators.

Asset Growth

- The company established growth targets for 2006 and beyond, expecting to fully leverage the increase in net assets.
- Capital plans have been developed to ensure Concentra meets the necessary external requirements while achieving growth targets.
- The growth of assets under administration of Concentra including Card Operations was 8.5% (2005 – 24.6%).
- Growth of assets comprising of on-balance sheet assets as well as off-balance sheet loan program assets was anticipated to be 19.2% in the 2006 financial plan. The actual growth was 17.6% (2005 – 21.5%). Additional information in relation to asset growth is included in the financial statement analysis later in this report.

Productivity

- An annual productivity target is set to support control over operating costs relative to revenue levels. Productivity measures the ratio between non-interest expenses to margin and non-interest income. In this ratio, the company endeavors to achieve a downward trend, indicating that productivity is improving.
- Over the long term, the company will work toward achieving a productivity ratio of 60%. Factors that contribute to a healthy productivity ratio are maintaining a specified margin to average assets ratio, non-interest revenue growth measured as year-over-year percentage increase and non-interest revenue growth relative to total gross revenue.

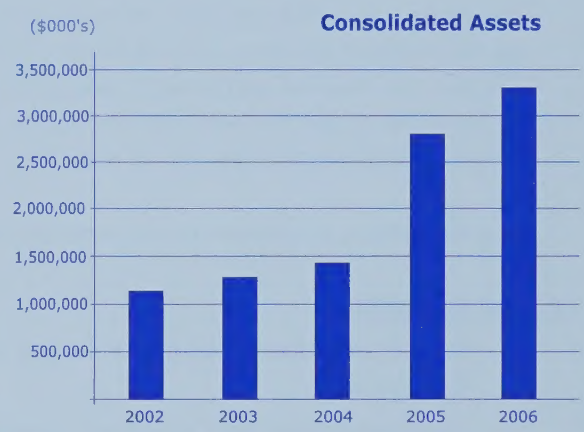
- The productivity ratio declined in 2006, as the actual rate increased to 74.9% (2005 - 63.8%). The variation when the actual ratio is compared to the 2006 financial plan of 60.8% is due to both an unexpected rise in interest rates early in 2006 which resulted in a lower net interest margin and an increase in non-interest expense.

Return on Equity

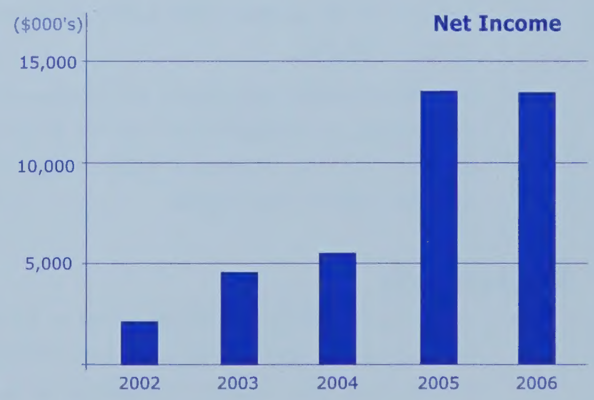
- The company's overall financial return to shareholders is determined annually based on current conditions, with the long-term target of maintaining a 10% return on equity (ROE).
- For the year ending December 31, 2006, the ROE was 6.4% (2005 - 8.8%), a lower result than the anticipated 10.0% in the 2006 financial plan. Similar to the productivity ratio, the unexpected rise in interest rates, the decrease in net interest margin and the increase in non-interest expense resulted in a decline in the ROE ratio.

Financial Statement Analysis

Consolidated assets increased by $0.5 billion in 2006 to $3.3 billion due to an increase in the securities and loan portfolios. The company's initiative to increase total assets was supported by growth in the deposit liabilities and funding from the commercial paper and loans payable programs.



In addition to the company's on-balance sheet assets, assets under administration include assets administered by the company and assets where the company acts as a trustee on behalf of clients. Consolidated assets under administration at December 31, 2006 were $19.2 billion, an increase of $1.5 billion when compared to $17.7 billion in 2005. This increase in assets under administration contributed to the increase in non-interest revenue.



Consolidated net income incurred a marginal decrease from $14.0 million in 2005 to $13.7 million in 2006. Net interest margin after provision for credit losses decreased by $2.3 million to $47.3 million in 2006 due to unexpected increases in interest rates early in 2006. The decrease of net interest margin was offset by an increase of $9.8 million in the non-interest income. The increase of non-interest income was due to revenue from premiums earned on certain treasury activities, unrealized gains from derivatives, revenues from the Card Operations and the equity income from CUETS Acquiring Inc. Non-interest expense increased by $9.6 million as a result of increases in human resource costs, card processing costs and general business expenses.

A dividend of $0.97 per share was paid out to the Class A shareholders. Accordingly, dividends of $9.3 million were paid to Class A shareholders during the year.

Non-productive assets as a ratio of credit assets were 0.19% at year end compared to 0.29% at December 31, 2005. Concentra maintains both specific and general allowances for credit losses. Specific allowances are reviewed for adequacy on a regular basis by examining individual assets where there is reasonable doubt that the carrying value will be realized. General allowances are determined based on management's judgment considering economic conditions and historical credit performance.

Business Lines

The growth and profitability achieved during 2006 was based on the successful implementation of strategies and initiatives for the following major business lines.

Financial Intermediation

Corporate Finance

Corporate Finance provides innovative deposit, investment and loan solutions to support credit unions in their daily financial operations and liquidity management. These solutions include asset securitization, loan syndication and derivative offerings as well as other wholesale solutions. Corporate Finance also provides strategic financial management solutions to enhance a credit union's overall financial performance.

Corporate Finance experienced strong demand for its products and services in 2006. In particular, significant demand was experienced for credit, syndication, and securitization programs. These programs provide excellent value-added services to credit unions.

Wholesale deposits also experienced strong growth due to our pricing strategies, which were reviewed and adjusted early in the year. This resulted in improved liquidity on our balance sheet. The bi-annual Strategic Financial Management conference "The Next Step: Proactive Approaches to Balance Sheet Management" occurred in early October and was well received by credit unions across Canada.

During 2006, Dominion Bond Rating Services confirmed a short-term credit rating of R1 Low for Concentra (consistent with our previous rating in 2005).

Subordinated debenture offerings were completed for both our Card Operations as well as the main operations of Concentra. Development of our next offering also commenced in the fourth quarter.

Overall growth within Corporate Finance exceeded budget. Changes within the mix of assets included stronger growth in securities and reduced growth in loans due to loan sales and management of growth in line with capital capacity. Covered writing activities commenced in the second quarter of 2006 and have resulted in a significant new revenue source for Concentra. Trading strategy activities commenced in the fourth quarter and will provide additional margin income going forward.

Financial Services

Financial Services offers mortgage and deposit products to credit unions to support liquidity management, growth and diversification along with access to market competitive products, terms and rates. Overall

mortgage volumes, including direct funding of mortgages and mortgage purchases from credit unions, exceeded targets. Concentra introduced a new variable rate mortgage as well as new insured mortgage programs in 2006. Concentra also initiated mortgage securitization as a means to diversify revenue and increase market penetration. Securitization and pool sales to credit unions in 2006 exceeded targets. Provisioning for credit losses related to mortgages was better than expected.

The deposit portfolio exceeded growth targets with gains made primarily in non-registered products.

Commercial Leasing

Commercial Leasing services are provided nationally through credit unions to individual and corporate clients seeking equipment, technology and infrastructure financing. Throughout 2006, Commercial Leasing provided lease origination, funding and back office administration services to more than 120 credit unions across Canada with transactions completed in all provinces except Quebec.

Lease volumes of $50 million were on par with 2005. A high credit quality was maintained with the overall portfolio performance remaining very positive. Lease product utilization by the credit union system nearly doubled as more than $18 million (37%) of total volume was referred and originated by credit unions compared to $9.96 million in 2005. Lease funding expanded in both the Ontario and Atlantic markets, and a large credit union in Alberta commenced building a portfolio funded by Concentra.

Implementation of the new leasing software progressed well through 2006 and will conclude in early 2007. This technology will provide further operating efficiencies while enhancing service delivery to credit unions and commercial leasing clients across Canada.

As a federally regulated organization, Concentra is in a position to benefit the credit union system by extending our national standing to provincially-regulated credit unions. Concentra made use of this positioning in 2006, for example, when new Cost of Credit legislation came into effect in Saskatchewan. Commercial Leasing developed a process to enable Saskatchewan credit unions engaged in lease funding to take advantage of our national standing, placing these credit unions on equal footing with federally-regulated chartered banks in this area of legislation.

Corporate Banking

Corporate Banking delivers a comprehensive, community-based corporate and commercial financial services package to targeted business clients.

Concentra successfully completed expansion of our Corporate Banking business line into Alberta this year. The official opening of the Corporate Banking office in Calgary took place on November 8, 2006. The expansion is receiving excellent support from Alberta credit unions and the business community with several deals, all in partnership with credit unions, generated and approved by the end of 2006.

Corporate Banking also began exploring expansion into British Columbia in 2006. Research is underway to determine the feasibility of a Corporate Banking presence in British Columbia to augment Concentra services currently available in that market. Meetings were held with most major British Columbia credit unions in 2006 and a positive response was received.

Corporate Banking maintained competitive margins and loan quality. Non-interest revenue, ROE and loan loss recoveries surpassed budget expectations. Revitalized Relationship Management teams succeeded in expanding Corporate Banking deals and prospects indicating potential for increased volumes in 2007.

Trust Services

Concentra Trust, a wholly owned subsidiary of Concentra, is responsible for the development and delivery of a wide range of personal and corporate trust products, services and programs. Trust Services are delivered nationally to credit unions, corporations and individual customers.

The primary focus of Trust Services in 2006 was the assessment and evaluation of the existing business lines and current product offerings. Changing markets and client demographics necessitate the creation of a more responsive and therefore sustainable long-term plan. Further progress has been made on the development of a comprehensive Trust Services strategy aimed at improving market penetration and profitability.

In 2006, there was growth of fee-based assets under administration. In addition, there was a year-over-year increase in net income.

Trust Services continued to provide industry-related procedural and technical information as well as updates to popular decision-support software to credit unions across Canada.

Card Operations

Through our alliance with CUETS, Concentra facilitates the Credit Union MasterCard and merchant arrangements. Concentra is the legal issuer of the Credit Union MasterCard (licensed by CUETS Inc., which is 10% owned by Concentra) and holds the card receivables. CUETS provides management support and operational services to carry out the credit card business for, and on behalf of, Concentra.

In 2006, Card Operations showed strong growth in cards and net retail sales, with both well above plan for the year. Focused efforts were made to grow the portfolio and the sales force worked closely with credit unions. As a result, the portfolio balance hit record levels and ended the year at $489.2 million.

During 2006, a joint application on behalf of Concentra, Credit Union Central of Alberta and Credit Union Central of Saskatchewan was submitted to the Office of the Superintendent of Financial Institutions (OSFI) for approval to sell the card issuing business and the 10% interest in CUETS Inc. held by Concentra to CUETS Acquiring Inc. The application also requests approval to continue CUETS Acquiring Inc. as a retail association – CUETS Financial Services Association, to be owned by Credit Union Central of Alberta and Credit Union Central of Saskatchewan. Approvals from OSFI and the Minister of Finance are pending.

Risk Management Overview

As a financial institution, Concentra creates value for its shareholders by taking on various types of risk, such as credit and market risk, to generate profit. Risks assumed as a means of generating revenue are evaluated, managed and priced to create profit on the overall portfolio. The company's risk framework, in conjunction with the strategic planning process, promotes awareness and understanding of changing business conditions in the competitive environment, as well as a strong understanding of internal competencies and readiness. Decisions taken by the company, reflected in strategy and action, create the conditions for optimization of opportunity and capacity.

Concentra defines enterprise risk management (ERM) as: a process, effected by a company's board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the company, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of corporate objectives.

The ERM objective of Concentra is twofold:

- to improve shareholder value through optimization of risk and capital, and risk-based decision making; and
- to perform well in a risk-based regulatory environment.

Key elements of the company's risk framework include corporate governance and structure, policy, reporting, risk culture and risk categorization. The strong governance, ethics, values, and leadership and co-operative principles of Concentra provide a firm foundation for the company's risk culture.

Roles and Responsibilities

Board of Directors

The board of directors is responsible for overseeing an effective risk management process. Board policies set risk tolerances and provide the mechanism and basis for subsequent monitoring, measurement and reporting. All board policies are reviewed annually.

The Audit and Risk Committee assists the board in discharging its responsibilities with respect to risk. The Audit and Risk Committee reviews and recommends an ERM framework to the board that includes the company's risk philosophy and risk tolerances, risk management process and risk policies. The Audit and Risk Committee reviews and reports, at least annually, the status of the company's risk levels.

Management

Executive management is responsible for implementing strategies and policies approved by the board, and for developing processes that identify, measure, monitor and control risks. Management will report on risk management performance on a regular basis through a formal reporting process.

Two key risk management committees are:

- Financial Governance Committee – established by the board, comprised of executive and senior management, and responsible to review and approve balance sheet management strategies and monitor financial performance against these strategies; and

- Credit Committee – established by the board, comprised of executive management, and responsible to approve large credits upon the recommendation of the Chief Credit Officer (CCO).

Management and supervisory personnel are responsible for ensuring that policy and related standards and procedures are communicated to and understood by all employees. All employees are responsible for complying with policy and related standards and procedures, as well as participating in optimizing risk within their functional areas.

Independent and Oversight Functions

Concentra has established a risk management division that oversees and reports on risk and provides risk-related decision support to the board, management and business units. The risk management division is segregated from other business units and is managed under the direction of the Senior Vice-President, Chief Risk Officer who reports to the President and CEO.

Concentra has an independent audit function, managed under the direction of the President and Chief Executive Officer, that provides independent and objective internal audit services to management and the board.

Risk Categories

The various risks encountered by the company are classified within one of six categories: credit, market, liquidity, legal and regulatory, operational, and strategic.

Credit Risk

Credit risk arises from a counterparty's inability or unwillingness to fully meet its on- and off-balance sheet contractual obligations. The credit risk on securities and loans relates to principal and interest amounts. For derivatives, credit risk is the replacement cost of the contract.

Several activities are in place to manage the company's credit risk profile. Credit risk tolerances are set out in the board-approved Balance Sheet Policy (BSP). The key credit concentration limits in the BSP are set out by issuer group, issuer, industry and geographic region. In addition, the company uses a credit risk rating system when underwriting loans and leases, and for subsequent risk monitoring of these portfolios.

On a quarterly basis, the Monitored and Non-productive Asset Report and the Large Lending Credits Report, outlining key lending concentrations and credit quality issues, are issued to the Audit and Risk Committee and the board. In addition, certificates of compliance to the BSP are issued to the Audit and Risk Committee and board on a quarterly basis. Exceptions to the BSP are reported to the Audit and Risk Committee immediately upon detection and to the board directly thereafter.

In addition, within the risk management division, the CCO plays a key role in managing the credit risk of Concentra. On an ongoing basis, the CCO provides independent adjudication of loan and lease applications in excess of the credit authority limits delegated by the CCO to business units. Quarterly, the CCO reviews monitored and non-productive accounts to ensure the appropriateness and sufficiency of specific loss allowances, and to ensure appropriate actions are in place to manage these accounts. Annually, the CCO conducts an overall systematic review of the credit adjudication process. A copy of this review is provided to the board by the President and CEO.

Market Risk

Market risk arises from:

- Interest rate risk – This risk results from movements in interest rates. It arises primarily from timing differences in the re-pricing of assets and liabilities, both on- and off-balance sheet, as they mature or are contractually re-priced.
- Price risk – This risk results from changes in the market price of asset or liabilities.
- Foreign exchange risk – This risk results from movements in foreign exchange rates.

The market risk exposure of Concentra arises primarily from interest rate risk and price risk. Concentra undertakes a number of activities to monitor and manage its market risk exposure. These activities include establishing prudent market risk limits in the BSP, monitoring the economic environment for potential interest rate changes, investing in marketable securities, simulating the impact of interest rate changes, and using off-balance sheet instruments to manage interest rate risk levels. The Financial Governance Committee reviews compliance with market risk limits at each monthly meeting and reviews and approves strategies that direct the management of the company's market risk profile.

Liquidity Risk

Liquidity risk arises from the inability to generate or obtain necessary cash or equivalents in a timely manner, at a reasonable price, to meet on- and off-balance sheet commitments as they come due, and without incurring unacceptable losses.

Maximum liquidity risk levels are set in the BSP and operating balance sheet policy. The Financial Governance Committee plays a key role in monitoring liquidity risk strategies for access to funding sources and appropriate liquidity levels, and reviews key liquidity risk indicators on a monthly basis. In addition, the company maintains a liquidity contingency plan.

Legal and Regulatory Risk

Legal and regulatory risk arises from an institution's potential non-conformance with laws, rules, regulations, prescribed practices, or ethical standards in the jurisdiction in which the organization operates. This includes breaches in fiduciary duties or obligations in the course of holding, administering, managing, or investing assets on behalf of other persons, or in the course of providing investment advice to other persons.

Concentra has a Compliance Officer in place to manage and report on compliance with governing and other applicable legislation. When significant issues arise, they are escalated to senior management and the board. The Compliance Officer Report is delivered to the Conduct Review Committee of the board twice a year, or more frequently if appropriate. The minutes of the Conduct Review Committee are also provided to the board.

Concentra has a Chief Anti-Money Laundering Officer in place to manage corporate-wide measures to combat money laundering and terrorist financing activity risks within the company. The Chief Anti-Money Laundering Officer reports to executive management and the board on anti-money laundering and anti-terrorist financing matters.

In addition, Concentra has a Code of Conduct/Conflict of Interest corporate policy that must be followed by all board members, officers and employees.

Key risk tolerances for balance sheet related regulatory risk are set out in the BSP. The BSP contains policies for the quantity and quality of capital the company is required to maintain to exceed regulatory requirements, as well as policies that address capital impairment and dividends. At December 31, 2006, the company is in compliance with its capital adequacy policy limits.

Operational

Operational risk arises from problems in the performance of business functions or processes. Exposures to this risk can result from deficiencies or breakdowns in internal controls or processes, technology failures, human errors or dishonesty, or natural catastrophes. Operational risk also includes reputation risk which arises from a lack of confidence in an institution by key stakeholders.

The key operational risk management objectives of the company are:

- to provide awareness of significant operational risk;
- to facilitate appropriate decisions to act upon operational risk;
- to empower business units with the responsibility and accountability for operational risks assumed; and
- to monitor and report on operational risk.

Strategic Risk

Strategic risk arises from an institution's inability to implement appropriate business plans, strategies, decision-making and resource allocation, and an inability to adapt to changes in its business environment.

Risk profiling is used by executive management to identify key risks affecting the successful achievement of its strategic goals. The key risks are scored based on the probability of the risk occurring and impact to the company if the risk were to occur. Action plans are developed for all risks, and responsibility is assigned to members of executive management to ensure the probability of the risk occurring will be reduced to an acceptable level.

Financial Reporting Responsibility

The accompanying Consolidated Financial Statements of Concentra Financial Services Association (Concentra) were prepared by management who is responsible for the integrity and fairness of the information presented and for ensuring that all the information in the annual report is consistent with the Consolidated Financial Statements. This responsibility includes the selection of appropriate accounting policies and making objective judgments and estimates in accordance with Canadian generally accepted accounting principles, including the accounting requirements of the Office of the Superintendent of Financial Institutions Canada.

In discharging this responsibility for the integrity and fairness of the Consolidated Financial Statements and for the accounting systems from which they are derived, management maintains the necessary systems of internal control to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. This control is augmented by written policies and procedures, the careful selection and training of qualified staff, the creation of organizational structures that provide a well defined division of responsibilities and the communication of policies and guidelines for business conduct throughout Concentra. This system of internal controls is supplemented by an internal audit function which carries out periodic reviews of the operations of Concentra.

The Board of Directors carries out its responsibilities for reviewing the Consolidated Financial Statements through its Audit and Risk Committee which is composed entirely of directors who are neither officers nor employees of Concentra. The Audit and Risk Committee reviews the Consolidated Financial Statements and recommends approval to the Board of Directors. Other responsibilities of the Audit and Risk Committee include meeting regularly with management, internal audit and the company's external auditors, Deloitte and Touche LLP, to discuss the effectiveness of internal controls over the financial reporting process as well as the planning and results of the external audit. Both the external and internal auditors have full and free access to the Audit and Risk Committee.

The Superintendent of Financial Institutions Canada examines and inquires into the business affairs of Concentra as deemed necessary to determine whether the provisions of the Cooperative Credit Associations Act (Canada) are being duly observed and that Concentra is in a sound financial condition.

External auditors are appointed by the members of Concentra, upon the recommendation of the Audit and Risk Committee, to perform an independent audit of the Consolidated Financial Statements and provide an opinion thereon; their report is presented separately.

February 8, 2007
Myrna J. Bentley, President and Chief Executive Officer
Greg Wallace, Executive Vice-President and Chief Financial Officer

Auditors' Report

To the Members of
Concentra Financial Services Association

We have audited the consolidated balance sheet of Concentra Financial Services Association as at December 31, 2006 and the consolidated statements of income, changes in retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

February 8, 2007
Saskatoon, Saskatchewan

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2006
(Thousands of Dollars)

	2006	2005
ASSETS		
Cash resources	16,640	4,726
Securities (Note 4)	993,070	703,188
Loans (Notes 5 and 6)	2,241,961	2,050,854
Premises and equipment (Note 8)	6,135	5,770
Goodwill (Note 9)	20,828	20,828
Other assets (Note 10)	25,557	41,012
	3,304,191	**2,826,378**
LIABILITIES		
Deposits (Note 11)	2,690,316	2,397,622
Loans and notes payable (Note 12)	330,175	184,355
Other liabilities (Note 13)	52,615	42,471
Subordinated debentures (Note 14)	45,818	22,468
	3,118,924	2,646,916
MEMBERS' EQUITY		
Share capital (Note 15)	145,243	145,243
Retained earnings	40,024	34,219
	185,267	179,462
	3,304,191	**2,826,378**

See accompanying notes

Approved by

Myrna J. Bentley, President and Chief Executive Officer
Leslie H. Messmer, Director and Chairman, Audit and Risk Committee
Robert A. Effa, Chairman of the Board

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2006
(Thousands of Dollars)

	2006	2005
INTEREST INCOME		
Loans	127,188	116,223
Securities	42,111	23,876
	169,299	140,099
INTEREST EXPENSE		
Deposits	96,951	69,220
Loans and notes	12,976	5,524
Subordinated debentures	1,766	768
Other direct expenses	1,284	5,402
	112,977	80,914
INTEREST MARGIN BEFORE THE FOLLOWING	56,322	59,185
Provision for credit losses (Note 6)	8,992	9,547
NET INTEREST MARGIN	47,330	49,638
NON-INTEREST INCOME		
Fee for service	9,766	11,090
Card services	27,199	22,424
Gain on securities (Note 4)	760	2,220
Income from securitized assets (Note 7)	18,174	17,630
Other non-interest income	9,720	2,448
	65,619	55,812
	112,949	105,450
NON-INTEREST EXPENSE		
Salaries and employee benefits	26,143	24,331
Professional and advisory services	18,968	20,556
Amortization of intangibles	581	1,417
Occupancy	2,951	1,639
Card processing	37,394	30,131
General business	9,555	7,933
	95,592	86,007
INCOME BEFORE INCOME TAXES	17,357	19,443
Provision for income taxes (Note 17)	3,683	5,486
NET INCOME	**13,674**	**13,957**

See accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 2006
(Thousands of Dollars)

	2006	2005
RETAINED EARNINGS		
Retained earnings, beginning of year	34,219	22,628
Net income	13,674	13,957
Dividends, Class A shares	(9,299)	(2,579)
Dividends, Class B shares	(311)	(311)
Reduction in income taxes (Note 17)	1,741	524
RETAINED EARNINGS, END OF YEAR	**40,024**	**34,219**

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2006
(Thousands of Dollars)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	13,674	13,957
Adjustments to determine net cash from (used in) operating activities		
Amortization of premises and equipment	1,228	1,014
Amortization of intangibles	581	1,417
Other amortization	7,514	4,890
Provision for credit losses	8,992	9,547
Provision for credit losses – securitized assets	4,130	4,723
Income from equity investments	(3,106)	(4)
Realized gains	(210)	(2,622)
(Gain) loss from asset securitizations	(2,039)	226
Future income taxes	(1,453)	(307)
Changes in operating assets and liabilities		
Net accrued interest receivable and payable	5,246	(4,652)
Unrealized gains and amounts receivable on derivative contracts	(8,573)	(13,251)
Unrealized losses and amounts payable on derivative contracts	8,047	14,203
Current income taxes payable	400	52
Other assets	22,703	10,849
Other liabilities	2,015	(7,723)
Net cash from operating activities	59,149	32,319
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from sales and maturities of securities	1,855,025	3,611,336
Purchase of securities	(2,141,601)	(3,770,569)
Loans, net of repayments	(207,119)	(89,993)
Premises and equipment purchases, net of disposals	(1,593)	(959)
Net cash used in investing activities	(495,288)	(250,185)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits, net of withdrawals	286,752	340,164
Loans and notes payable, net of repayments	145,820	(132,383)
Proceeds from issuance of subordinated debentures (Note 14)	23,350	-
Dividends paid	(9,610)	(2,890)
Reduction in income taxes from dividends paid	1,741	524
Net cash from financing activities	448,053	205,415
NET INCREASE (DECREASE) IN CASH RESOURCES	11,914	(12,451)
Cash resources, beginning of year	4,726	25,608
Decrease in cash resources from previously consolidated subsidiary (Note 18)	-	(8,431)
CASH RESOURCES, END OF YEAR	**16,640**	**4,726**
SUPPLEMENTAL INFORMATION		
Amount of interest paid in year	110,328	80,864
Amount of income taxes paid in a year	5,886	2,056

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006
(Thousands of Dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Concentra Financial Services Association (the Company) have been prepared in accordance with subsection 292(4) of the Cooperative Credit Association Act which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions Canada (OSFI), the financial statements are to be prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies followed in the preparation of these consolidated financial statements, including the accounting requirements of OSFI, are summarized below. These accounting policies conform, in all material respects, to Canadian generally accepted accounting principles.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and net income. Certain estimates including allowances for credit losses, fair values of financial instruments, income taxes and accounting for securitizations and variable interest entities require management to make subjective and complex judgments. Accordingly, actual results could differ from those estimates thereby impacting the consolidated financial statements.

The significant accounting policies followed in the preparation of these consolidated financial statements are summarized below.

Basis of Consolidation

The Company conducts business through various corporate structures including subsidiaries and other investments. The consolidated financial statements include the Company's assets, liabilities and results of operations, after the elimination of intercompany transactions and balances, of all subsidiaries and variable interest entities for which the Company has determined it is the primary beneficiary.

The Company applies the principles of equity accounting for investments where the Company has significant influence over operating and financing activities of an entity and for investments in variable interest entities for which the Company is determined not to be the primary beneficiary. These investments are recorded at cost and are adjusted for the Company's proportionate share of net income or loss and dividends received. These investments are recorded in other assets on the consolidated balance sheet and the Company's proportionate share of net income or loss is recorded as non-interest income on the consolidated statement of income. The following are included in the consolidated financial statements of the Company:

Concentra Trust – As a wholly owned subsidiary, the Company owns 100% of the common shares of Concentra Trust.

CUETS Acquiring Inc. - The Company owns 100% of the common shares of CUETS Acquiring Inc. (CUETS Acquiring). The Company has determined CUETS Acquiring is a variable interest entity in which the Company is not the primary beneficiary; as such, the Company's investment in CUETS Acquiring is being

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

accounted for under the equity method of accounting. Income is recognized as other non-interest income in the current period.

Celero Solutions - The Company's 5.8% interest in Celero Solutions, an unincorporated entity, is recorded using the cost method of accounting. Under this method the investment is initially recorded at cost and income is recognized only to the extent any distributions are received or receivable. Losses, other than a temporary decline in value, are recognized as other non-interest income in the current period.

Cash Resources

Cash resources consists of cash and securities maturing within one business day.

Securities

Investments in equity and debt securities with the original intention of holding to maturity are classified as investment account securities. These securities are carried at cost or amortized cost, net of adjustments to recognize other than temporary impairments in value. Interest income is recorded on an accrual basis, except that the accrual of interest is discontinued when, in management's opinion, the interest may not be collected. Retained interests in securitized assets are included as securities and are recorded at the allocated carrying value, net of adjustments to recognize other than temporary impairments in value. Realized gains and losses on securities and write downs to reflect other than temporary impairment are included in non-interest income.

Securities which are purchased with the original intention of not holding to maturity are classified as trading account securities and reported at their estimated fair value. Obligations to deliver trading account securities sold but not yet purchased are recorded as liabilities and carried at fair value. Realized and unrealized gains and losses on these securities are recorded in non-interest income. Dividend and interest income accruing on trading account securities is recorded in interest income. Interest accrued and dividends received on interest-bearing and equity securities sold short are recorded in interest expense.

Securities under repurchase agreements are treated as collateralized borrowing transactions and are carried at cost plus accrued interest on interest-bearing securities. Interest incurred on repurchase agreements is included in loans and notes interest expense. Obligations related to assets sold under repurchase agreements are recorded in loans and notes payable.

Loans

Loans are recorded at principal amounts net of unamortized discounts and premiums, less any allowances for credit losses plus accrued interest. Loan renegotiation fees are recognized in interest income over the term of the renegotiated loan.

Loans are classified as impaired and the accrual of interest is discontinued when, in management's judgment, there is no longer reasonable assurance of the timely repayment of principal and interest. Credit card receivables are immediately written off when classified as impaired.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans (continued)

Property held for sale acquired through the settlement of loans is valued at the lower of the outstanding balance of the loan at the date of acquisition adjusted for costs incurred subsequent to foreclosure or repossession and the estimated net realizable value of the property.

Loan fees are amortized to interest income over the expected term of the loan when these fees are considered to be an integral part of the return earned on the loan. Premiums and commissions paid on the acquisition of loans are amortized to interest income over the expected term of the loan.

Allowance for Credit Losses

The Company maintains an allowance to absorb credit-related losses in portfolios of both on and off-balance sheet items. The allowance for credit losses consists of specific and general allowances, which are reviewed by management on a quarterly basis. The allowance for credit losses is deducted from the related asset category.

Specific allowances are established as a result of reviews of individual assets and represent the amount required to reduce the carrying values to estimated realizable amounts. For loans, specific allowances are established by reviewing specific arrears, the credit-worthiness of individual borrowers and the collateral underlying the loan. When there is reasonable doubt that the full amount of principal and interest will be collected, the carrying amount of the loan is reduced to its estimated realizable value. In cases where it is practical to estimate future cash flows, the loan is written down to the estimated future net cash flows from the loan discounted at the rate inherent in the loan.

General allowances are established to reflect provisions for losses which are prudent in nature but cannot be determined on an individual basis. The Company maintains general allowances at a level commensurate with the underlying credit risk within the Company's asset portfolio based upon management's judgment considering historical credit experience, portfolio composition and business and economic conditions.

Asset Securitization

The Company periodically securitizes groups of assets by selling them to independent special purpose trusts. As part of these transactions, the Company generally retains an interest in the securitized assets, such as servicing rights and various forms of recourse including over-collateralization, rights to excess spread and a cash reserve account.

Securitization transactions are recorded in accordance with Canadian accounting guidelines for transfers of receivables. These transactions are accounted for as sales and the assets are removed from the consolidated balance sheet when the Company is deemed to have surrendered control over the assets and receives consideration other than the beneficial interests in the transferred assets.

Gains and losses on these transactions are recognized in income from securitized assets on the date of the transaction and depend in part on the allocation of the previous carrying amount between the assets sold and any retained interests based on their relative fair value at the date of transfer.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset Securitization (continued)

Fair value is based on market prices when available. However, as quotes are usually not available for retained interests, fair value is determined using the present value of future expected cash flows estimated in relation to assumptions on yield, payment rates, excess spread, the cost of funds, credit losses, and discount rates commensurate with the risks involved.

Retained interests in securitized assets are classified as securities on the consolidated balance sheet and recorded at the lower of the allocated carrying value and the fair value. Retained interests are periodically reviewed for impairment and any decline in the value of the retained interest that is other than temporary is recorded in income.

Assets are transferred on a fully serviced basis and a servicing liability is recorded in other liabilities at the date of sale at fair value and is amortized to income over the average expected life of the assets. The servicing liability is included in deferred revenue in other liabilities.

Premises and Equipment

Premises and equipment are stated at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the related assets which has been determined to be 40 years for the building, 5 years for building improvements, 10 years for office equipment and 3 to 5 years for computer equipment. Gains and losses on disposals are recorded in non-interest expense.

Business Combinations, Goodwill and Intangibles

All business combinations are accounted for using the purchase method of accounting. Goodwill represents the excess of the purchase price over the fair value of net identifiable assets acquired in business combinations and is assigned to specific reporting units of a business segment. Goodwill is evaluated for impairment on an annual basis or more often if events or circumstances indicate there may be impairment. If the carrying value of a reporting unit, including the allocated goodwill, exceeds its fair value, goodwill impairment is measured as the excess of the carrying amount of the reporting unit's allocated goodwill over the implied fair value of the goodwill. Any goodwill impairment is charged to income in the period in which the impairment is identified.

Intangible assets with a finite life arising from the acquisition of business assets are recorded at their fair value at the time of the purchase and amortized on a straight-line basis over the period in which the Company expects to derive the economic benefit from those assets. Intangible assets include acquired customer relationships related to purchased credit card portfolios included in other assets and are currently being amortized over a three year period.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes whereby future income taxes are determined based on the difference between the carrying value of assets or liabilities and their tax bases using the tax rates expected to be in effect when the asset or liability is settled. Income taxes reported in the consolidated statement of income include the current and future portion of the expenses. Income taxes applicable to items charged to Members' Equity are netted against such items. Future income tax assets and future income tax liabilities are reported in other assets or other liabilities as applicable.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative Financial Instruments

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity instrument or index. In the ordinary course of business, the Company enters into derivative transactions to hedge interest rate risk, for asset/liability management, and for trading purposes. The Company also enters into derivative transactions on an intermediary basis on behalf of credit unions.

The Company enters into derivative contracts to manage specific interest rate and currency exposure from the Company's on-balance sheet positions. Hedge accounting is applied where a derivative is highly effective in offsetting either changes in the fair value or cash flows attributable to the risk being hedged, both at inception and over the life of the underlying asset or liability. The hedging relationship is documented at inception detailing the hedging relationship and the particular risk management objective and strategy for undertaking the hedge transaction. The documentation must demonstrate a high correlation at inception and throughout the contract period between the derivative contract and the Company's exposure. If these criteria are not met, the derivative contract does not qualify for hedge accounting treatment and is designated as asset/liability management.

When derivatives qualify for hedge accounting, the net return is recognized over the life of the agreement as an adjustment to net interest income. Unrealized gains and losses as a result of changes in the market value of these contracts are not recognized. Hedge accounting is discontinued on a prospective basis when the derivative no longer qualifies as an effective hedge or the derivative is terminated or sold. Realized gains and losses on terminated contracts are deferred and amortized over the lesser of the remaining life of the contract and the remaining term of the related on-balance sheet instrument. The deferred amount is reflected in other assets or liabilities as appropriate and the related amortization is included in net interest income. Hedge accounting is also discontinued on the sale or early termination of the hedged item. The fair value of the derivative is recognized in other assets or liabilities as appropriate and the gain or loss is recognized in other non-interest income. Deferred gains and losses on derivatives that no longer qualify as an effective hedge are recorded in other assets and other liabilities.

Asset/liability management derivatives are used to manage interest rate and currency exposure on the Company's balance sheet, but do not meet the specific criteria to qualify as hedge derivatives. These derivatives include contracts that reposition the Company's overall interest rate and foreign exchange risk profile.

Asset/liability management derivatives are reported on the balance sheet at their fair value. Derivatives with a positive fair value are reported in other assets as derivative related assets and derivatives with a negative fair value are reported in other liabilities as derivative related liabilities. Realized and unrealized gains and losses are reported in other non-interest income.

Derivatives are also used in trading activities and are reported on the consolidated balance sheet at their fair value. Derivatives with a positive fair value are reported in other assets as derivative related assets and derivatives with a negative fair value are reported in other liabilities as derivative related liabilities. Realized and unrealized gains and losses on trading derivatives are recognized as other non-interest income.

December 31, 2006 (Thousands of Dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative Financial Instruments (continued)

The Company may enter into interest rate derivative contracts and forward agreements with credit unions or may act as an intermediary on behalf of a client utilizing derivative contracts. These derivatives do not qualify for hedge accounting and are carried at fair value on a gross basis as derivative-related amounts in other assets or other liabilities with changes in fair value recorded in other non-interest income.

Assets under Administration

Assets administered or managed by the Company on behalf of estates, trusts and agencies are recorded separately from the Company's assets and are not included on the consolidated balance sheet.

2. CORPORATE REORGANIZATION

Significant Acquisition

In the prior year, the Company acquired a significant portion of the financial assets and financial liabilities of Credit Union Central of Saskatchewan (SaskCentral). The Company issued 6,186,170 Class A – Series 2 shares (Note 15) as consideration for the net assets acquired based on the estimated fair values of those shares and the net assets acquired as determined by an independent third-party valuation. This acquisition was recorded under the purchase method of accounting at the exchanged value because the change in the ownership interests of the net assets transferred was substantive and the exchange amount was supported by independent evidence.

The following table summarizes the estimated fair values of the net assets acquired:

	($)
Assets	
Securities	441,872
Loans	710,126
Goodwill (Note 9)	19,248
Other assets	16,193
	1,187,439
Liabilities	
Deposits	815,874
Loans payable	60,855
Notes payable	201,762
Other liabilities	10,093
	1,088,584
Net assets acquired	98,855

Corporate reorganization costs of $2,358 incurred in connection with the acquisition have been allocated to the cost of the acquired net assets. These costs are comprised of the direct incremental costs incurred for the legal, accounting and valuation advisory services required to effect the acquisition.

2. CORPORATE REORGANIZATION (continued)

Amalgamation 3553256 Canada Inc.

In the prior year, the Company amalgamated with 3553256 Canada Inc. Prior to the amalgamation, 3553256 Canada Inc. was the holder of 100% of the Class C shares and subordinated debentures issued by the Company, which represented substantially all of the net assets of 3553256 Canada Inc. All the issued and outstanding Class A participating shares of 3553256 Canada Inc. were held equally by SaskCentral and Credit Union Central of Alberta (Alberta Central), a member of the Company. All the issued and outstanding voting shares of 3553256 Canada Inc. were held equally by the Company, SaskCentral and Alberta Central. Under the terms of the amalgamation agreement, the issued and outstanding shares of 3553256 Canada Inc. were exchanged for shares of the Company and the outstanding shareholder loans issued by 3553256 Canada Inc. to SaskCentral and Alberta Central were exchanged for new Class C subordinated debentures of the Company. The voting shares of 3553256 Canada Inc. held by the Company were cancelled without any repayment of capital. Additional information on the issuance of debentures and shares can be found in Notes 14 and 15.

3. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments are based on relevant market prices and information available at that time. Due to the use of subjective judgment and uncertainties, the aggregate fair value amounts shown below should not be interpreted as necessarily being realizable in an immediate settlement of the instruments. The table below outlines the estimated fair values for financial instruments only and does not include assets or liabilities that are not considered financial instruments, such as premises and equipment, goodwill and intangible assets.

Cash resources, accounts receivable (included in other assets) and accounts payable and accrued liabilities (included in other liabilities) are all short-term in nature and as such, their carrying value approximates fair value.

The fair value of securities is estimated using market prices when available. The fair value of retained interests in securitized assets classified as investment account securities is based on market prices when available. If quoted market prices are not available for securities, fair values are estimated using quoted market prices of similar securities. If market prices are not available for retained interests, the fair value is estimated using discounted cash flows based on various assumptions.

The estimated value of loans reflects changes in general interest rates which have occurred since the loans were originated. Moreover, the calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values. The fair value of fixed interest rate loans is estimated using discounted cash flows based on current rates of interest for similar lending arrangements. The fair value of floating interest rate loans is approximately equal to carrying value.

The carrying value of deposits with no stated maturity or loans and notes payable due on demand is assumed to approximate fair value. For the remainder of the deposits, fair value is estimated using discounted cash flows based on current market interest rates for similar maturities.

December 31, 2006 (Thousands of Dollars)

3. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair value of subordinated debentures is estimated using discounted cash flows based on current market interest rates for similar maturities.

The fair value of derivative financial instruments is estimated by referring to the appropriate current market yields with matching terms to maturity. The fair values reflect the estimated amounts that the Company would receive or pay to terminate the contracts at the reporting date.

	2006 ($)			2005 ($)		
	Carrying Value	Estimated Fair Value	Difference	Carrying Value	Estimated Fair Value	Difference
Financial assets						
Assets for which fair value approximates carrying value	19,711	19,711	-	17,200	17,200	-
Securities	993,070	991,854	(1,216)	703,188	704,551	1,363
Loans	2,241,961	2,238,494	(3,467)	2,050,854	2,055,368	4,514
Derivative related amounts						
Trading	-	-	-	-	-	-
Other than trading	2,222	2,222	-	4,414	4,063	(351)
Financial liabilities						
Liabilities for which fair value approximates carrying value	43,678	43,678	-	30,178	30,178	-
Deposits	2,690,316	2,693,638	(3,322)	2,397,622	2,398,521	(899)
Loans and notes payable	330,175	330,175	-	184,355	184,340	15
Subordinated debentures	45,818	46,207	(389)	22,468	22,468	-
Derivative related amounts						
Trading	-	-	-	-	-	-
Other than trading	2,670	2,670	-	6,449	6,449	-

4. SECURITIES

The securities portfolio is comprised of a large number of securities carrying a variety of terms and conditions. Approximately 86.79% (2005 – 78.65%) of the portfolio bears interest at fixed rates and pays interest semi-annually and/or upon maturity. The remainder of the portfolio earns interest at variable rates and pays interest monthly or quarterly, provides a return of dividends over varying periods of time or provides an index-linked return.

Government securities are comprised of securities issued or guaranteed by Canadian federal, provincial and municipal governments. Corporate securities are comprised of commercial paper, medium term notes and equities.

December 31, 2006 (Thousands of Dollars)

4. SECURITIES (continued)

Securities of $493,975 (2005 – $222,227) have been pledged as collateral or held in a segregated safekeeping account for various obligations of the Company. Of these securities, $258,876 (2005 - $Nil) are securities sold under repurchase agreements.

The maturity dates and weighted average effective interest rates for the securities portfolio are as follows:

	2006 ($)						2005 ($)
	Within 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No Fixed Maturity	Total	Total
Trading Account	–	–	–	–	–	–	–
Investment Account							
Government							
Federal							
Carrying Value ($)	991	128	61,327	–	–	62,446	79,628
Rate (%)	4.08%	4.60%	3.85%			3.86%	3.88%
Provincial							
Carrying Value ($)	–	15,347	49,193	233,570	–	298,110	99,563
Rate (%)		4.12%	4.02%	4.30%		4.24%	4.20%
Municipal							
Carrying Value ($)	–	27	21,098	15,285	–	36,410	16,493
Rate (%)		4.60%	4.15%	4.55%		4.32%	4.14%
Corporate							
Chartered Banks							
Carrying Value ($)	13,200	2,182	83,747	70,512	–	169,641	121,382
Rate (%)	3.37%	7.18%	5.15%	4.71%		4.85%	4.64%
Co-operatives							
Carrying Value ($)	21,392	5,082	1,835	21,600	3,768	53,677	57,187
Rate (%)	5.34%	5.28%	6.20%	3.98%		4.44%	3.63%
Other Corporate							
Carrying Value ($)	24,337	62,847	176,051	93,372	5,227	361,834	324,211
Rate (%)	4.46%	5.39%	4.83%	4.97%		4.85%	4.58%
	59,920	85,613	393,251	434,339	8,995	982,118	698,464
General Allowance						(610)	(601)
Accrued Interest						11,562	5,325
						993,070	703,188

December 31, 2006 (Thousands of Dollars)

4. SECURITIES (continued)

Unrealized Gains and Losses Investment Account

	2006 ($)				2005 ($)			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Government	396,966	576	(2,584)	394,958	195,684	356	(1,074)	194,966
Corporate	585,152	3,845	(3,053)	585,944	502,780	3,570	(1,489)	504,861
General allowance	(610)	-	-	(610)	(601)	-	-	(601)
Accrued interest	11,562	-	-	11,562	5,325	-	-	5,325
	993,070	4,421	(5,637)	991,854	703,188	3,926	(2,563)	704,551

Realized Gains and Losses Investment Account

	2006 ($)	2005 ($)
Realized gains	1,471	2,484
Realized losses	(703)	(12)
	768	2,472
Provision for security losses	(8)	(252)
Gain on securities, net	760	2,220

5. LOANS

	2006 ($)						2005 ($)
	Residential Mortgages	Commercial Mortgages	Commercial Loans	Credit Union Loans	Credit Card Receivables	Total	Total
Performing	1,445,199	172,419	232,649	111,249	275,221	2,236,737	2,037,273
Impaired	4,131	-	8,009	-	-	12,140	14,987
Specific Allowance	(97)	-	(6,476)	-	-	(6,573)	(7,738)
Net Impaired	4,034	-	1,533	-	-	5,567	7,249
Property Held for Resale	530	-	-	-	-	530	645
Specific Allowance	-	-	-	-	-	-	(47)
Net Property Held for sale	530	-	-	-	-	530	598
	1,449,763	172,419	234,182	111,249	275,221	2,242,834	2,045,120
General Allowance						(14,716)	(12,048)
Accrued Interest						13,843	17,782
Total loans net of allowance for loan losses						2,241,961	2,050,854

December 31, 2006 (Thousands of Dollars)

5. LOANS (continued)

Approximately 91.5% (2005 – 90.1%) of the loan portfolio bears interest at fixed rates and the remainder bears interest at variable rates. Approximately 70.2% (2005 – 68.9%) of the total loan portfolio is subject to interest penalties if the borrower repays or resets the interest rate prior to maturity.

Credit card receivables are subject to standard annual interest rates that range from 11.99% to 19.99% (2005 - 11.50% to 19.50%) if not paid in full by the next monthly payment date, except receivables arising from cash advances which are subject to interest at the time the advance is taken. Minimum payments are required, based on the balance and credit limit of each account. If minimum payments are not received for three consecutive payment cycles a default interest rate is applied.

The interest rate on the credit card portfolio may be increased with a minimum of three months notice to cardholders. Rates can be reduced without advance notice to the cardholder.

The repricing dates, which approximate maturity dates, and weighted average effective interest rates for the loan portfolio are as follows:

	2006 ($)					2005 ($)
	Within 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total	Total
Residential Mortgages						
Carrying Value ($)	67,524	190,965	1,156,192	35,082	1,449,763	1,302,387
Rate (%)	5.58%	5.66%	5.35%	5.61%	5.41%	5.22%
Commercial Mortgages						
Carrying Value ($)	12,152	19,662	122,247	18,358	172,419	172,115
Rate (%)	7.17%	5.61%	6.15%	6.22%	6.17%	5.95%
Commercial Loans						
Carrying Value ($)	60,660	49,081	97,217	27,224	234,182	240,820
Rate (%)	5.81%	5.64%	6.44%	5.74%	6.02%	5.60%
Credit Union loans						
Carrying Value ($)	71,799	39,450	–	–	111,249	117,973
Rate (%)	4.92%	2.39%			4.02%	3.05%
Credit Card Receivables						
Carrying Value ($)	275,221	–	–	–	275,221	211,825
Rate (%)	13.44%				13.44%	13.38%
	487,356	299,158	1,375,656	80,664	2,242,834	2,045,120

December 31, 2006 (Thousands of Dollars)

6. ALLOWANCE FOR CREDIT LOSSES

The following table summarizes the Company's general and specific allowances:

2006 ($)							
	Balance beginning of year	Purchase Adjustment	Write-offs	Recoveries	Provision for credit losses	Securitization Adjustment	Balance end of year
Residential mortgages	1,125	-	(98)	-	305	-	1,332
Commercial mortgages	711	-	-	-	220	-	931
Commercial loans	10,989	-	(1,056)	-	(504)	-	9,429
Credit Card receivables	7,008	-	(14,347)	3,835	8,971	4,130	9,597
Total allowance for credit losses	19,833	-	(15,501)	3,835	8,992	4,130	21,289
Specific allowances							
Residential mortgages	46	-	(98)	-	149	-	97
Commercial mortgages	-	-	-	-	-	-	-
Commercial loans	7,739	-	(1,056)	-	(207)	-	6,476
Total specific allowances	7,785	-	(1,154)	-	(58)	-	6,573
General allowances							
Residential mortgages	1,079	-	-	-	156	-	1,235
Commercial mortgages	711	-	-	-	220	-	931
Commercial loans	3,250	-	-	-	(297)	-	2,953
Credit Card receivables	7,008	-	(14,347)	3,835	8,971	4,130	9,597
Total general allowances	12,048	-	(14,347)	3,835	9,050	4,130	14,716
Total allowance for credit losses	19,833	-	(15,501)	3,835	8,992	4,130	21,289

2005 ($)							
Total allowance for credit losses	7,954	15,440	(22,487)	4,656	9,547	4,723	19,833

7. ASSET SECURITIZATION

The Company has sold a revolving ownership interest in the credit card receivable portfolio to a qualifying special purpose entity. The portion of the portfolio underlying the ownership interest was $214,000 and the ownership interest sold was $200,000. On a monthly basis, principal collections attributable to the special purpose trust are re-invested to maintain the special purpose trust ownership interest at $200,000. Gains recorded on subsequent re-investment of principal collections are included in non-interest income as income from securitized assets.

The Company's retained interest in the transferred portfolio consists of the over-collateralization, a cash reserve and the rights to future excess spread on the receivables and is available as recourse in the event of any losses on the transferred portfolio. Under the terms of the agreement, the Company was required to deposit $3,000 into the cash reserve account. The Company's retained interest is recorded at the lower of the allocated carrying value and fair value and is included in Securities.

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7. ASSET SECURITIZATION (continued)

The Company has retained the responsibility for servicing the credit card receivables and is carrying a servicing liability of $1,006 (2005 - $1,001) that is included in other liabilities.

During the year, the Company sold a portfolio of residential mortgages to a qualifying special purpose entity. The balance of securitized mortgages totaled $185,884, resulting in pre-tax income of $2,721. At December 31, the outstanding principal mortgage balance was $171,523. The Company has accounted for this transaction as a sale and has transferred all the risks and rewards associated with these assets to the third-party. The Company has retained the responsibility for servicing these mortgages. At December 31, the retained interest in the mortgage portfolio was $5,227 and the present value of the servicing liability was $1,339.

The following table summarizes the Company's securitization activities:

	2006 ($)			2005 ($)		
	Residential Mortgage Loans	Credit Card Loans	Total	Residential Mortgage Loans	Credit Card Loans	Total
Securitized and sold	185,884	-	185,884	-	-	-
Retained interest, allocated carrying value	5,227	16,760	21,987	-	16,302	16,302
Retained interest, estimated fair value	5,955	16,760	22,715	-	16,302	16,302
Gain on securities	2,721	15,453	18,174	-	17,630	17,630

The table below summarizes certain cash flows related to asset securitization:

	2006 ($)			2005 ($)		
	Residential Mortgage Loans	Credit Card Loans	Total	Residential Mortgage Loans	Credit Card Loans	Total
Proceeds from new securitizations	185,884	-	185,884	-	-	-
Revolving re-investment of collections	-	1,049,000	1,049,000	-	998,917	998,917

The following key assumptions are used to value the Company's retained interest:

	2006 (%)		2005 (%)	
	Residential Mortgage Loans	Credit Card Loans	Residential Mortgage Loans	Credit Card Loans
Expected weighted average life or pre-payable receivables (in years)	3.2	0.5	-	0.5
Yield	5.0	13.7	-	13.3
Payment rate	99.6	40.7	-	40.2
Discount rate	4.4	17.5	-	17.5
Cost of funds	4.8	4.3	-	3.3
Expected credit losses	0.4	2.0	-	2.1
Servicing rates	0.3	2.0	-	2.0

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7. ASSET SECURITIZATION (continued)

The following table presents key economic assumptions and the sensitivity of the current fair value of the retained interest in the event of two adverse changes in each key assumption as at December 31. This sensitivity analysis is hypothetical and should be used with caution.

	2006 ($)		2005 ($)	
	Residential Mortgage Loans	Credit Card Loans	Residential Mortgage Loans	Credit Card Loans
Weighted Average remaining service life (in years)	3.2	0.5	-	0.5
Yield				
Impact on fair value at 10% adverse change	(11)	(757)	-	(662)
Impact on fair value at 20% adverse change	(58)	(1,518)	-	(1,400)
Payment rate				
Impact on fair value at 10% adverse change	(16)	(83)	-	(204)
Impact on fair value at 20% adverse change	(32)	(279)	-	(330)
Discount rate				
Impact on fair value at 10% adverse change	(40)	(118)	-	(119)
Impact on fair value at 20% adverse change	(80)	(236)	-	(237)
Cost of funds				
Impact on fair value at 10% adverse change	(43)	(101)	-	(101)
Impact on fair value at 20% adverse change	(86)	(201)	-	(202)
Expected credit losses				
Impact on fair value at 10% adverse change	(4)	(298)	-	(292)
Impact on fair value at 20% adverse change	(11)	(607)	-	(657)

In the prior year, the Company purchased a portfolio of residential mortgages from a third-party and immediately sold the mortgages to a multi-seller securitization conduit. The balance securitized was $40,029. The Company has accounted for this transaction as a sale and has transferred all the risks and rewards associated with these assets to the third-party as an intermediary in exchange for a fixed program fee. In 2006, the third-party securitized an additional portfolio of residential mortgages totaling $39,250 with the Company. The outstanding balance of the securitized mortgages at December 31 was $53,782 (2005 - $38,732). The Company has retained a counterparty risk in these transactions if one party fails to meet their obligations under the securitization agreements.

The Company also provides securitization co-ordination services to credit unions across Canada on a fee for service basis.

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8. PREMISES AND EQUIPMENT

	2006 ($)			2005 ($)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	517	-	517	517
Building and improvements	7,675	4,831	2,844	3,121
Equipment	5,558	2,784	2,774	2,132
	13,750	7,615	6,135	5,770

Current year amortization expense of $1,228 (2005 - $1,014) is included in non-interest expense.

9. GOODWILL

The Company has completed the annual test for goodwill impairment and has determined that the goodwill is not impaired.

The carrying amounts of goodwill are as follows:

	2006 ($)			2005 ($)		
	Financial Intermediation	Card Operations	Total	Financial Intermediation	Card Operations	Total
Balance, beginning of year	19,248	1,580	20,828	-	12,710	12,710
Acquisitions for the year	-	-	-	19,248	-	19,248
Goodwill related to previously consolidated subsidiary (Note 18)	-	-	-	-	(11,130)	(11,130)
Balance, end of year	19,248	1,580	20,828	19,248	1,580	20,828

The goodwill related to the prior year acquisition of net assets from SaskCentral (Note 2) has been assigned to the Financial Intermediation segment (Note 22) and is not expected to be deductible for tax purposes.

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10. OTHER ASSETS

	2006 ($)	2005 ($)
Accounts receivable and other accruals	3,067	12,474
Prepaid and deferred costs	3,889	9,036
Derivative related assets (Note 20)	2,222	4,414
Intangible assets	1,835	417
Investment in CUETS Acquiring (Note 18)	10,714	7,608
Other investments	128	123
Future income tax assets (Note 17)	3,702	6,940
	25,557	41,012

11. DEPOSITS

The repricing dates, which approximate maturity dates, and weighted average effective interest rates for the Company's deposits are as follows:

	2006 ($)						2005 ($)
	On Demand	Within 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total	Total
Deposits							
Carrying Value ($)	514,531	509,230	725,838	903,893	1,400	2,654,892	2,369,742
Rate (%)	3.65%	4.19%	4.07%	4.06%	3.85%	4.01%	3.42%
Accrued Interest						35,424	27,880
						2,690,316	2,397,622

Deposits bear interest at rates determined by market conditions.

12. LOANS AND NOTES PAYABLE

	2006 ($)	2005 ($)
Line of credit	-	-
Notes payable	69,999	184,355
Obligations related to assets sold under repurchase agreements	260,176	-
	330,175	184,355

The Company maintains a line of credit facility with SaskCentral of $50,000 (2005 – $50,000). The line of credit bears interest at prime and is partially secured by a $20,000 deposit (2005 - $20,000) held by SaskCentral.

The Company is authorized to issue a maximum of $300,000 (2005 - $200,000) under a commercial paper program. The Company has pledged securities with a market value of $210,000 to support commercial

December 31, 2006 (Thousands of Dollars)

12. LOANS AND NOTES PAYABLE (continued)

paper issuance. Commercial paper matures within 90 days and at December 31 has a weighted average effective interest rate of 4.35% (2005 – 3.38%). The Company has additional credit facilities of $466,667 (2005 – $266,667) related to securities repurchase agreements for which outstanding balances are secured by pledged securities. At December 31, the balance outstanding was $260,176 (2005 - $Nil). These repurchase agreements mature within 180 days and have a weighted average effective interest rate of 4.28% (2005 – Nil%).

13. OTHER LIABILITIES

	2006 ($)	2005 ($)
Accounts payable and accrued expenses	41,333	30,177
Derivative related liability (Note 20)	2,670	6,449
Future income tax liabilities (Note 17)	1,606	1,606
Deferred revenue	7,006	4,239
	52,615	42,471

14. SUBORDINATED DEBENTURES

The debentures are unsecured obligations and are subordinate in right of payment to the claims of depositors and certain other creditors. Any redemption of these subordinated debentures is subject to the consent and approval of OSFI.

In the prior year, with authorization from OSFI and in accordance with the amalgamation agreement with 3553256 Canada Inc. (Note 15), all of the Class C subordinated debentures issued to 3553256 Canada Inc. were converted to new Class C subordinated debentures issued equally to SaskCentral and Alberta Central.

The Company has contracted CUETS (Note 19) to manage the Company's card operations subject to the terms of a management support services agreement. Subject to the prior authorization from OSFI, the Company may redeem all or any portion of the principal amount of the debentures for the price of one-dollar ($1.00) to offset any losses incurred by the card operations or upon the termination of the management support services agreement, any outstanding amount of the debentures will be paid by the issue of Class A Series 1 shares of the Company at the fair market value of those shares, with the prior authorization of OSFI.

December 31, 2006 (Thousands of Dollars)

14. SUBORDINATED DEBENTURES (continued)

During the year the Company issued Series One subordinated debentures totalling $13,350 and a No. 3 subordinated debenture totalling $10,000.

Description	Face Value ($)	Maturity Date	Interest Rate	Redeemable beginning in	2006 ($)	2005 ($)
Class C	22,468	April 2015	4.88%	See (1) below	22,468	22,468
No. 3	10,000	March 2017	4.72%	Not redeemable	10,000	-
Series One	13,350	August 2021	5.82%	August 2016	13,350	-
					45,818	22,468

(1) The Class C interest rate is established quarterly and will not exceed 10%. The Company may redeem all or any portion of the principal for the price of one-dollar ($1.00) to offset losses incurred by the card operation or upon the termination of the management support services agreement.

(2) The No. 3 debenture has an interest rate set at the start of each calendar quarter at the average of the major bank three month banker acceptance rates plus 0.45%.

(3) The Series One debentures can be redeemed in whole or in part by the Company on or after the tenth anniversary of the issue date. Interest will be paid for the first 10 years from issue date at the Government of Canada 10 year bond rate at the issue date plus 1.5% and from the date immediately following the 10th anniversary of the issue date the Government of Canada 5 year bond rate as at the 10 year anniversary of the issue date plus 1.75%.

15. SHARE CAPITAL

The Company is authorized to issue an unlimited number of membership shares, an unlimited number of Class A shares, 399,054 Class B shares and an unlimited number of Class C shares.

Membership shares may only be issued at such time and to such persons as determined by a resolution of the Board of Directors (the Board). Membership shares are issued and redeemed at Ten Dollars ($10.00) per share and can only be transferred or redeemed subject to approval by the Board. Voting privileges are restricted to membership shares based on one vote per member, regardless of the number of membership shares held by a member.

Class A – Series 1 shares are entitled to receive dividends as declared by the Board and may only be issued to the holders of membership shares. Class A – Series 2 shares have the same entitlements as Class A – Series 1 shares except they may only be issued to SaskCentral or an affiliate of SaskCentral.

Class B shares are entitled to an annual, non-cumulative dividend of $0.78 per share (2005 - $0.78), subject to the rights of the Class C shares.

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15. SHARE CAPITAL (continued)

Class C shares are issued exclusively to SaskCentral or Alberta Central and are entitled to a dividend only if the card operations are recording positive earnings. Any or all of the Class C shares can be redeemed by the Company for the price of one-dollar ($1.00), subject to the prior consent of OSFI, if certain conditions exist. Otherwise, the Company, at their option, may convert all the Class C shares to Class A Series 1 shares at the fair market value of each of the Class C shares and the Class A - Series 1 shares if the management support services agreement related to the card operations is terminated.

Significant Acquisition

In the prior year, the Company issued 6,186,170 Class A-Series 2 shares to SaskCentral as consideration for the net assets acquired (Note 2).

Amalgamation of 3553256 Canada Inc.

In the prior year, the following shares were issued or cancelled in accordance with the amalgamation agreement with 3553256 Canada Inc. (Note 2):

The Company issued 3,849 Class A – Series 1 shares to each of SaskCentral and Alberta Central in exchange for the voting shares of 3553256 Canada Inc. based on the fair value of those shares. The voting shares of 3553256 Canada Inc. that were previously held by the Company were cancelled without any repayment of capital.

The Company cancelled 1,166,465 Class C shares previously issued to 3553256 Canada Inc. without any repayment of capital and issued 1,000 Class C shares to each of SaskCentral and Alberta Central.

The following table summarizes the shares issued and outstanding at December 31:

Issued		2006 ($)	2005 ($)
3,349	Membership Shares (2005 - 3,348)	33	33
3,400,582	Class A – Series 1 (2005 - 3,400,582)	34,365	34,365
6,186,170	Class A – Series 2 (2005 - 6,186,170)	98,855	98,855
399,054	Class B (2005 – 399,054)	3,990	3,990
2,000	Class C (2005 – 2,000)	8,000	8,000
		145,243	145,243

On February 15, 2006 the Company issued 1 membership share at $10.

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16. PENSION BENEFITS

The Company provides pension benefits to qualified employees. Pension benefits of $1,370 (2005 - $1,217) were paid to defined contribution and supplementary employee retirement plans. These costs are included in salaries and employee benefits. As a defined contribution pension plan, the Company has no future liability or obligation for future contributions to fund benefits to plan members.

17. PROVISIONS FOR INCOME TAXES

Income taxes are included in the consolidated financial statements as follows:

	2006 ($)	2005 ($)
Provision for income taxes (net income)	3,683	5,486
Reduction in income taxes (retained earnings)	(1,741)	(524)
	1,942	4,962

Dividends, which are reflected in retained earnings, are deductible in determining current income subject to tax. The reduction in income tax resulting from the payment of dividends is reflected in retained earnings.

The provision for income taxes includes current and future income taxes as follows:

	2006 ($)	2005 ($)
Current income tax expense	5,136	5,793
Future income taxes (recovery)	(1,453)	(307)
	3,683	5,486

Reconciliation of the provision for income taxes:

	2006 ($)	2005 ($)
Combined federal and provincial income tax rate applied to income from operations	3,380	3,791
Provision for income taxes adjusted for the effect of:		
Non-taxable dividend income	(26)	(20)
Federal large corporations tax	-	140
Non-deductible expenses	136	117
Future income tax expense resulting from tax rate changes	212	-
Lower effective tax rate for equity investments	(281)	-
Adjustments related to prior years	-	1,044
Other	262	414
	3,683	5,486

December 31, 2006 (Thousands of Dollars)

17. PROVISIONS FOR INCOME TAXES (continued)

The components of future income taxes are as follows:

	2006 ($)	2005 ($)
Future income tax assets		
Loans	3,632	2,113
Goodwill	263	251
Other	118	94
	4,013	2,458
Future income tax liabilities		
Investments	(1,576)	(3,335)
Premise and equipment	-	(8)
Other	(1,296)	(673)
	(2,872)	(4,016)
Net future income taxes	1,141	(1,558)

Net future income taxes are recorded in:

	2006 ($)	2005 ($)
Future income tax assets		
Other Assets (Note 10)	3,702	6,940
Loans	423	-
	4,125	6,940
Future income tax liabilities		
Other Liabilities (Note 13)	(1,606)	(1,606)
Securities	(1,378)	(2,078)
Loans	-	(4,814)
	(2,984)	(8,498)
Net future income taxes	1,141	(1,558)

18. INVESTMENT IN CUETS ACQUIRING

The Company purchased 100% of the common shares of CUETS Acquiring on May 10, 2002. CUETS Acquiring was incorporated to acquire and service the credit card merchant processing business through its 50% partnership interest in the CUETS/First Data Processing partnership and its 45% interest in the CUETS/First Data Merchant partnership.

The Company has contracted CUETS to manage the operations of CUETS Acquiring and the partnerships, under the terms of Management Support Services Agreements.

Due to the provisions of the Class C Shares as described in Note 15, it has been determined that CUETS Acquiring is a variable interest entity of which the Company is not the primary beneficiary as the majority

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18. INVESTMENT IN CUETS ACQUIRING (continued)

of the variability in the earnings are absorbed by the holders of the Class C shares. As a result of the provisions of the Class C shares, the equity at risk of CUETS Acquiring lacks the characteristics of a controlling financial interest.

The Company's maximum exposure to loss in relation to CUETS Acquiring is restricted to the carrying value of the equity investment. Actual losses that may arise in respect of this exposure are not expected to be material.

The Company's investment in CUETS Acquiring is being accounted for in accordance with the equity method of accounting as the Company does have significant influence through its equity investment. Distributions of Card Operation earnings derived from the Company's investment in CUETS Acquiring are in accordance with the related Class C share agreement. This agreement results in 95% of the Card Operation earnings being distributed by way of declaration of dividends to the Class C shareholders.

The following table summarizes the consolidated financial statements of CUETS Acquiring:

	2006 ($)	2005 ($)
Assets	16,729	27,817
Liabilities	6,015	20,209
Non-interest income	440	7,924
Non-interest expense	1,892	8,765
Cash flows (used in) from operating activities	(670)	3,835
Cash flows from investing activities	3,082	5,132

The following table summarizes the carrying amount of the Company's investment in CUETS Acquiring:

	2006 ($)	2005 ($)
Equity, beginning of year	7,608	7,604
Pro rata share of net earnings	3,106	4
Distributions	-	-
Equity, end of year (Note 10)	10,714	7,608

19. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the parties. The following summarizes the transactions during the year and balances outstanding at year end not noted elsewhere in the consolidated financial statements.

SaskCentral provides banking and credit services for the Company. The Company provides treasury and other administrative services to SaskCentral. It has been determined through the attributes of the Class C shares (Note 15) that SaskCentral is the primary beneficiary of the positive and negative variability of the Company's earnings.

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19. RELATED PARTY TRANSACTIONS (continued)

CU Electronic Transaction Services (CUETS) provides management support for the card operations and CUETS Acquiring under the terms of Management Support Services Agreements. CUETS is a joint venture owned equally by SaskCentral and Alberta Central.

Celero Solutions provides information technology services and support under the terms of a support services agreement.

	2006 ($)	2005 ($)
SaskCentral		
Dividends paid to	7,757	1,438
Cash deposited with	16,333	4,208
Securities invested with	20,000	20,000
Interest earned on deposits and securities	3,580	2,355
Interest paid to	1,011	1,177
Due from included in other assets and other liabilities	(612)	(3,733)
Non-interest expenses paid to	(340)	(610)
CUETS		
Deposits payable to	32,874	32,604
Card fees paid to	15,555	15,912
Revenue sharing received from	16,556	13,857
Management fee paid to	16,050	19,773
Due to included in other liabilities	1,918	4,088
Celero Solutions		
Loan receivable from	3,892	3,707
Due to included in other liabilities	1,302	698
Fee for service paid to	3,461	3,281
CUETS Acquiring		
Deposits payable to	1,771	10,737
Loan receivable from	-	430

20. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity instrument or index. Derivative contracts are expressed in notional amounts. The notional amounts, which are off-balance sheet, do not represent amounts exchanged and, thus, are not a measure of the Company's exposure through the use of derivatives. The notional amount is the reference amount used to determine the payment required by contract and are a common measure of business volume.

Swaps are contractual agreements to exchange a series of cash flows based on agreed upon rates to a notional amount. Interest rate swaps are used to limit exposure to interest rate risk by modifying the repricing or maturity characteristics of assets and liabilities. Exposure is limited through the exchange of fixed and floating interest rate payments based on notional amounts.

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20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Options are contractual agreements that convey the right, but not the obligation, to either buy or sell financial instruments at a fixed price at a fixed future date or within a fixed future period. For options purchased, a premium is paid for the right to exercise the option.

Foreign exchange forward contracts are contractual obligations to buy or sell one currency against another, for settlement on the day the contract expires. A forward contract limits the risk of fluctuating exchange rates by locking in a current price for a transaction that will take place in the future. Exposure is limited through the exchange of fixed and floating interest rate payments based on notional amounts.

The majority of Company derivatives are held or issued for non-trading purposes. These derivatives are used in managing our asset/liability activities and include investing and hedging activities. The Company also holds or issues derivatives for trading purposes.

Notional Amounts and Term to Maturity

	2006 ($)							2005($)
	Within 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total	Trading	Other than Trading	Total
Asset/Liability Management								
Interest rate contracts								
Interest rate swaps	20,000	180,000	328,339	45,000	573,339	-	573,339	625,450
Options written	100,000	-	-	-	100,000	-	100,000	-
Options	230,000	230,000	-	-	460,000	-	460,000	-
Options purchased	715	-	1,250	-	1,965	-	1,965	245
Foreign exchange contracts	11	11	3,754	-	3,776	-	3,776	9,622
	350,726	410,011	333,343	45,000	1,139,080	-	1,139,080	635,317
As intermediary								
Interest rate contracts								
Interest rate swaps	20,000	56,000	299,512	8,170	383,682	-	383,682	368,162
Forward rate agreement	10,400	-	3,200	-	13,600	-	13,600	13,600
Options purchased	14,750	5,425	70,964	-	91,139	-	91,139	79,119

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20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	Year end fair value 2006 ($)	
	POSITIVE	NEGATIVE
Asset/Liability Management		
Interest rate contracts		
Interest rate swaps	927	3,087
Options written	-	-
Options	-	-
Options purchased	403	403
Foreign exchange contracts	-	-
	1,330	3,490
As intermediary		
Interest rate contracts		
Interest rate swaps	1,173	1,107
Forward rate agreement	339	339
Options purchased	23,180	23,180

The Company is exposed to credit related losses in the event of non-performance by the counterparties to derivative contracts. The Company's credit exposure on the interest rate contracts is limited to the positive replacement cost (fair value) of the instruments as this represents the cost to replace these contracts at prevailing market rates if a default occurred. The Company mitigates exposures by limiting the counterparties to interest rate contracts to credit worthy Canadian financial institutions.

For internal risk management purposes, credit risk is measured by using a credit equivalent amount. The credit equivalent amount is derived from the sum of the positive replacement cost and the potential credit risk exposure which reflects the potential change in replacement cost in relation to the remaining term to maturity of the contract. The risk-weighted amount is determined by applying standard measures of counterparty risk to the credit equivalent amount.

The following table provides information in relation to the Company's credit risk exposure for derivative financial transactions. Positive replacement cost is derived from the fair value of derivative financial instruments (Note 3). Potential credit risk exposure and risk-weighted equivalents are calculated in accordance with OSFI capital adequacy guidelines.

	2006 ($)				2005 ($)
	Interest Rate Contracts	Options	Foreign Exchange Contracts	Total	Total
Notional amounts	1,430,621	193,104	3,776	1,627,501	1,096,198
Positive replacement cost	2,439	403	-	2,842	7,108
Potential credit risk exposure	3,953	13,031	188	17,172	10,840
Credit equivalent amount	6,392	13,433	188	20,013	17,948
Risk-weighted equivalent	1,278	2,687	38	4,003	3,590

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21. CONTRACTUAL REPRICING AND MATURITY SCHEDULE

The Company's exposure to interest rate risk can be measured by the mismatch, or gap, between the assets, liabilities and off-balance sheet instruments scheduled to mature or reprice on particular dates. Gap analysis measures the difference between the amount of assets and liabilities that reprice in specific time periods.

Repricing dates are based on the earlier of maturity or the contractual repricing date and effective interest rates, where applicable, represent the weighted average effective yield. The table below shows the Company's gap position as at December 31.

The Company's current interest rate sensitivity position is based on the current position and assuming a 1% immediate increase in interest rates, net interest income over the next 12 months would decrease $7,173 (2005 - $6,900) if no remedial action was taken by the Company.

2006 ($)

	On Demand	Within 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Non-Interest Sensitive	Total
Assets							
Cash resources	16,640	-	-	-	-	-	16,640
Securities	-	164,789	102,131	331,113	375,090	19,947	993,070
Effective interest rate		4.97%	5.09%	4.44%	4.45%		
Loans	441,859	126,073	281,921	1,327,489	55,029	9,590	2,241,961
Effective interest rate	10.69%	5.53%	5.22%	5.49%	5.80%		
Other assets	-	-	-	-	-	52,520	52,520
Effective interest rate							
	458,499	290,862	384,052	1,658,602	430,119	82,057	3,304,191
Liabilities							
Deposits	514,531	509,230	725,838	903,893	1,400	35,424	2,690,316
Effective interest rate	3.65%	4.19%	4.07%	4.06%	3.85%		
Loans and notes payable	-	330,175	-	-	-	-	330,175
Effective interest rate		4.30%					
Subordinated debentures	-	32,468	-	-	13,350	-	45,818
Effective interest rate		4.87%			5.82%		
Other liabilities	-	-	-	-	-	52,615	52,615
Members' equity	-	-	-	-	-	185,267	185,267
Effective interest rate							
	514,531	871,873	725,838	903,893	14,750	273,306	3,304,191
On-balance sheet gap	(56,032)	(581,011)	(341,786)	754,709	415,369	(191,249)	-
Off-balance sheet financial instruments							
Derivatives used for asset/liability management purposes							
Pay side instruments	-	(606,841)	(128,000)	(218,095)	(4,085)	-	(957,021)
Effective interest rate		4.34%	4.17%	4.28%	4.58%		4.31%
Receive side instruments	-	390,180	108,000	409,756	49,085	-	957,021
Effective interest rate		4.28%	3.82%	3.89%	4.31%		4.06%
Derivatives used for trading purposes	-	-	-	-	-	-	-
Effective interest rate							
Off-balance sheet gap	-	(216,661)	(20,000)	191,661	45,000	-	-
Total gap	(56,032)	(797,672)	(361,786)	946,370	460,369	(191,249)	-

December 31, 2006 (Thousands of Dollars)

21. CONTRACTUAL REPRICING AND MATURITY SCHEDULE (continued)

	2005 ($)						
	On Demand	Within 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Non-Interest Sensitive	Total
On-balance sheet gap	(205,920)	(26,480)	(392,837)	535,042	250,326	(160,131)	-
Off-balance sheet gap	-	(174,550)	(21,200)	170,750	25,000	-	-
Total gap	(205,920)	(201,030)	(414,037)	705,792	275,326	(160,131)	-

22. SEGMENTED INFORMATION

The Company operates three main operating segments and each segment is managed separately as individual business units.

Financial Intermediation operations include residential mortgage and corporate lending activities, personal and corporate deposit products, securities and treasury services as well as commercial banking and leasing activities.

Concentra Trust operations consist of both personal and corporate trust products and services.

Card Operations consist of credit card lending, merchant processing and acquiring operations and other card related products and services.

Inter-segment transactions take place at terms which approximate fair values. The following highlights key financial information for the operations of these segments.

	2006 ($)				
	Financial Intermediation	Trust Operations	Card Operations	Inter Segment Eliminations	Total
Interest income	144,575	310	28,782	(4,368)	169,299
Interest expense	108,034	-	9,311	(4,368)	112,977
Interest margin before the following	36,541	310	19,471	-	56,322
Provision for credit losses	21	-	8,971	-	8,992
Net interest margin	36,520	310	10,500	-	47,330
Non-interest income	15,586	6,087	45,758	(1,812)	65,619
Non-interest expense	39,117	5,158	53,129	(1,812)	95,592
Income before income taxes	12,989	1,239	3,129	-	17,357
Provision for income taxes	2,596	534	553	-	3,683
Net income	10,393	705	2,576	-	13,674
Total assets	3,118,127	11,757	300,924	(126,617)	3,304,191

December 31, 2006 (Thousands of Dollars)

22. SEGMENTED INFORMATION (continued)

	2005 ($)				
	Financial Intermediation	Trust Operations	Card Operations	Inter Segment Eliminations	Total
Interest income	119,787	301	22,787	(2,776)	140,099
Interest expense	78,286	-	5,404	(2,776)	80,914
Interest margin before the following	41,501	301	17,383	-	59,185
Provision for credit losses	1,478	-	8,069	-	9,547
Net interest margin	40,023	301	9,314	-	49,638
Non-interest income	12,758	6,190	40,032	(3,168)	55,812
Non-interest expense	34,635	5,407	49,133	(3,168)	86,007
Income before income taxes	18,146	1,084	213	-	19,443
Provision for income taxes	4,857	420	209	-	5,486
Net income	13,289	664	4	-	13,957
Total assets	2,714,145	11,096	238,157	(137,020)	2,826,378

23. COMMITMENTS AND GUARANTEES

Lines of credit and loan commitments and letters of credit and guarantees represent a maximum credit exposure to the Company. Many of these contracts will expire without being drawn upon and thereby reduces the Company's credit risk from the maximum commitment. The Company earns minimal fees on commitments.

	2006 ($)	2005 ($)
Lines of credit and loan commitments		
Original term to maturity of one year or less	380,556	378,154
Original term to maturity of more than one year	18,664	26,812
Letters of credit and guarantees		
Original term to maturity of one year or less	12,255	12,258
Original term to maturity of more than one year	-	-

The Company has also guaranteed its proportionate share of the liabilities for the Unified Network Payment Solutions partnership. The Company is also responsible for its proportionate share of any operating and investment losses incurred by Celero Solutions.

24. CONTINGENT LIABILITY

Concentra Trust, a wholly owned subsidiary of the Company, has been named in two legal actions in the Province of Quebec, both relating to the same issues. As these matters are in the early stages, Concentra Trust is unable to determine the eventual outcomes. Management believes Concentra Trust has strong defences to these claims and will vigorously defend against all such actions. The amount of any potential losses cannot be reasonably estimated at this time.

25. SUBSEQUENT EVENT

During the year, a joint application on behalf of the Company, SaskCentral and Alberta Central (the Centrals) was submitted to OSFI for approval to sell the card issuing business and the 10% interest in CUETS Inc. (collectively referred to as "the card business") held by the Company to CUETS Acquiring. The Centrals will transfer all of the Joint Venture business, including all management and employees, and the Centrals' 90% interest in CUETS Inc. to CUETS Acquiring. The application also requests approval to continue CUETS Acquiring as a Retail Association – CUETS Financial Services Association. Approvals from OSFI and the Minister of Finance are pending.

26. COMPARATIVE FIGURES

Certain of the previous year's comparative figures have been reclassified to conform to the current year's presentation.

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Highlights

Concentra FINANCIAL

Table of Contents

Who We Are

Concentra Financial supports credit unions and corporate clients in growing and diversifying their business. We are a future-focused organization, offering clients a wide range of customized business solutions and continually innovating to meet their changing needs.

Delivering integrated financial and trust solutions across Canada, our dedicated employees provide clients with professional expertise through five main lines of business:

- Corporate Finance
- Trust Services*
- Financial Services
- Commercial Leasing
- Corporate Banking

We are a co-operative organization owned by our members – credit unions, provincial credit union centrals and co-operatives. Our co-operative foundation is an important part of who we are and it's reflected in our culture through strong leadership and accountability demonstrated by our employees at every level in our workplace and our larger communities.

Fast Facts

Client Focus	Credit unions, co-operatives and strategic partners, corporations and businesses
Service Locations	Across Canada
Consolidated Assets Under Administration	$ 19.2 billion
Consolidated Corporate Assets	$ 3.3 billion
Consolidated Net Income	$ 13.7 million
Number of Employees	Over 400

**Trust services are available through Concentra Trust, a wholly-owned subsidiary of Concentra Financial.*

Message from the President/CEO and Board Chair

Welcome to *Highlights* – an overview of Concentra Financial – who we are, what we do and where we're going.

At Concentra, we believe the future is not something to wait for, it's something to be created. In business, we create the future through the choices we make. In choosing our purpose, our goals and our actions, we choose our future.

Concentra opens the door to new and exciting choices – choices that empower our clients to create the futures they envision. We do this by combining a focus on innovation with an in-depth understanding of your business, your challenges, your strengths and your goals. The results are customized business solutions that help attain your vision of success.

Our talented and dedicated team of professionals make this customized approach possible. We are very proud of the superior service our employees provide as well as our board of directors' visionary leadership and the strong corporate governance practices that underpin all of our efforts. It is thanks to the commitment of our board, management and employees that Concentra has once again been recognized as one of Canada's 50 Best Managed Companies.

Much of our success can also be attributed to the ground-breaking partnerships we have formed. With the heart of a co-operative and the business powers of a bank, Concentra presents partners with new options and wide-ranging possibilities.

We are creating a future full of opportunity and we share that opportunity with our clients, our employees and our partners.

Welcome to Concentra Financial. Get to know us and help shape the future.

For more detailed financial information about our company, please refer to our 2006 Annual Report.

Robert A. Effa, Board Chair
Myrna J. Bentley, President and
Chief Executive Officer

What Guides Us

The Concentra Financial Vision - emPOWERING Canada's Credit Unions

The Concentra Vision speaks to our credit union owners and clients. We provide flexible solutions that empower credit unions to choose their own direction and create their own future. For Concentra, the future is about partnering with credit unions and other business clients from one end of the country to the other. It's about innovating and adapting to meet new challenges, take up new opportunities and strengthen the credit union system.

Also very important to our future is the link we create between the credit union system and our corporate clients. Credit unions and Concentra alike are both dedicated to helping our clients prosper. Working with Concentra opens up new opportunities for our corporate clients not only through the customized solutions Concentra offers, but also through the wide range of products and superior service provided by Canadian credit unions and credit union partners.

Our Leadership Principles - Travelling the High Road

As important as our Vision is the road we take to achieving that Vision. We believe in taking the high road in everything that we do. Our Leadership Principles guide our conduct with colleagues, clients, partners and other stakeholders.

Honesty

Truth and fairness without deception

- Being willing to speak the truth, even if it is unpopular
- Being straightforward and reliable

Respect

Acknowledgement of the value of others and consideration for their beliefs and principles

- Treating others as you want to be treated
- Holding others in high regard
- Having a high regard for differences of opinion and values

Trust

Confidence and faith in self and others

- Telling the truth – putting faith in others
- Believing in people and their commitments

Compassion

Understanding the situations or feelings of others and having the desire to assist

- Respecting the feelings of others
- Understanding someone's situation and being willing to help out

Courage

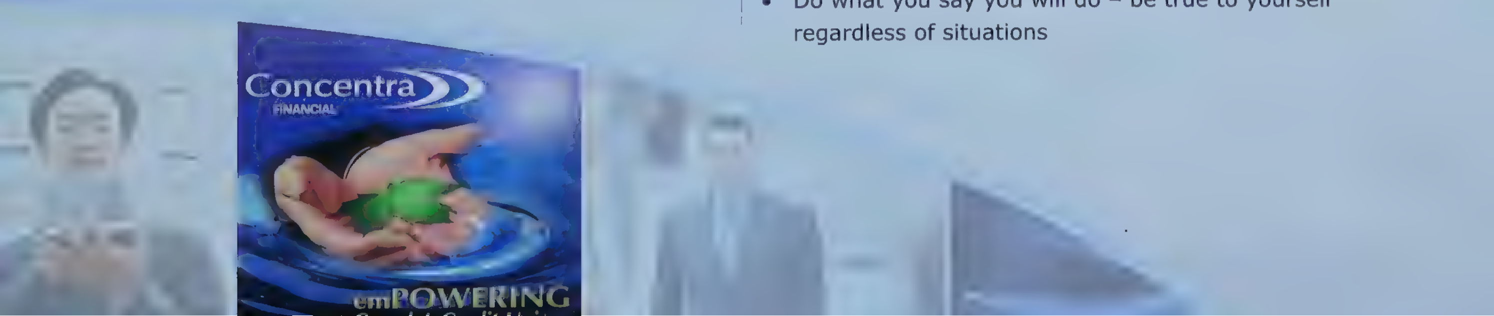
Strength and conviction to live by the guiding principles

- Taking a risk or perceived risk
- Doing what matters in times of adversity – willingness to accept accountability
- Standing up to express your views and opinions

Integrity

Adherence to the five other guiding principles: Honesty, Respect, Trust, Compassion and Courage

- Integrity embodies the best of all other principles
- Do what you say you will do – be true to yourself regardless of situations



What Guides Us

Corporate Governance

Concentra combines the regulatory capacity of a bank with a co-operative governance structure. Our unique co-operative governance model includes the following highlights:

- Any central, credit union or Canadian co-operative organization may apply for membership.
- Board members are nominated to represent geographic regions.
- Board member representation is a maximum of 47 per cent for any single region.
- Democratic decision-making is based on the principle of one member – one vote.

Credit union centrals, co-operatives and credit unions from across Canada hold membership in Concentra with voting privileges. Current membership includes 9 centrals, 11 co-operatives and 120 credit unions. Directors are elected by members for three-year terms to represent six governance regions as well as a Class B shareholder group.

We are proud of the accountability and democratic values inherent in our co-operative governance practices. Guided by our Vision and Leadership Principles, the Concentra board of directors adheres to very high standards. Concentra supports the ongoing development of our board of directors through board and director assessments and education. Directors are also regularly informed on legal and regulatory matters which have an impact on the operations of Concentra and on their oversight responsibilities.

Board of Directors *(as at April 2007)*

Left to right:
Vern Buck, Al Morin, Helen Sukovieff, Robert Effa,
Les Messmer, Ian Russell, Karl Baumgardner, Nigel Teucher,
Myrna Bentley, Bruce Corbett, Kevin Lukey,
Carol Jardine, L. Robert McVeigh,
David Phillips, Wayne McLeod.

What We Do

We are in the business of helping our clients build their futures. We make it easier for our clients to achieve success and that's a promise. Through our business lines, we offer professional expertise and strategic business solutions designed to enhance long-term growth, stability and success.

Corporate Finance

Assists credit unions in managing liquidity, through an extensive range of deposit, investment, derivative and loan products. Innovative deposit and investment products facilitate day-to-day credit union operations as well as risk and excess liquidity management. Specialized consulting to individual credit unions, in the area of financial management, further enhances the credit union's financial performance.

Trust Services

Provides both corporate and personal trusts for credit unions and their members as well as business clients requiring the services of a professional trustee. Unique credit union programs are specifically designed to assist credit unions to expand their product offerings, provide an entry point for wealth management, increase assets, provide fee revenue and strengthen member relationships.

Financial Services

Delivers programs and products designed to seamlessly integrate with the credit unions' retail markets. Our role is to expand credit union service offerings and provide solutions for liquidity management, credit union member retention and growth. Services offered to credit unions include mortgage origination, deposit warehousing and administration.

Concentra also provides a co-operative alternative for mortgage and deposit brokers. This is an important role for Concentra, ensuring that the credit union system is represented in the broker market and creating opportunities for credit unions to participate in this market.

Commercial Leasing

Provides commercial lease financing, syndication services and asset administration nationally to clients, professionals, public and private sector businesses seeking equipment, technology and infrastructure financing. These lease transactions are funded by the credit union system which allows Canadian communities to retain the resulting financial and economic benefits.

Corporate Banking

Delivers a comprehensive, community-based corporate/commercial financial services package. We provide businesses and organizations with financial services that are flexible enough to suit individual company needs. Worksite marketing opportunities are available to partner credit unions.

Where We're Headed

Concentra supports credit unions and our corporate clients in growing, diversifying and prospering. To maintain and increase our capacity for adding this value, we focus on two overarching strategic intents: *Position for Market Relevance* and *Expansion and Development*.

Position for Market Relevance

In response to business drivers such as changing consumer expectations and demands as well as advancing technology, our clients' needs are evolving. Through amalgamation, mergers and expansion strategies, credit unions are becoming larger, more sophisticated and fewer in number. Our corporate clients are evolving in response to the changing business environment as well.

Position for Market Relevance is about ensuring we maintain our focus on adding value to the credit union system through the business solutions we provide to credit unions and corporate clients. This means alignment of our products and services, distribution channels, organizational infrastructure and employees toward continued evolution and innovation.

Expansion and Development

While we continue to grow through the development of new business solutions and expansion into new markets, we are also committed to expanding and developing our organization through partnerships. Our goal is clear – to continue providing our clients with the increasingly specialized skills and services and the improved access to capital required for their continued growth.

For Concentra, it is essential to have the capacity and flexibility necessary to evolve alongside credit unions and business clients as they grow and adapt to an ever-changing environment. This is the essence of *Expansion and Development*. Concentra is currently exploring opportunities for partnerships, alliances, acquisitions and resource sharing with several potential partners.

Designed to address the needs of credit unions as they expand and develop new product lines and markets, Concentra is a co-operative which enables participants to gather and focus financial expertise, capital and services in order to provide credit unions and business clients with integrated solutions at an effective and efficient cost, scope and service level.

As a retail association that operates across Canada* while maintaining the tax advantage credit unions enjoy, Concentra is well positioned to increase the capacity of the credit union system and to introduce new partners to the benefits of working with our system. This is an exciting time for the credit union system and Concentra is among the dynamic organizations in the process of creating a future full of opportunity.

* *Concentra has the ability to operate in all provinces except Quebec.*

Our Balanced Scorecard

For an organization to achieve its objectives efficiently and effectively, all employees and resources need to be moving in the same direction. Our strategic plan translates direction into action by focusing our energies and efforts on our goals. Through our balanced scorecard, we evaluate progress toward achieving those goals. We measure factors affecting current performance as well as factors that affect our capabilities as we move into the future.

	People and Community	Client	Innovation	Financial Performance
Our Goals	• Continue to develop a constructive work environment emphasizing accountability, personal development and opportunities to share in success • Maintain commitment to social responsibility	• Proactively discover the needs of credit unions and provide solutions aligned with these needs • Support credit unions in providing solutions to corporate clients • Meet or exceed client expectations	• Act on commitment to achieving integration in the co-operative financial system • Continue to be innovative in leveraging our regulatory capacity and relationships with strategic partners and credit unions	• Ensure profitability for the long-term success of Concentra and in the interest of stakeholders
Our Approach	• Corporate-wide learning and organizational development programs • Career and succession planning • Alignment of rewards and motivation programs • Attraction, retention and employee engagement strategies • Enhancement of employee communication • Efficiencies regarding structure and processes • Board of directors development planning	• Alignment and continued enhancement of sales service and relationship management process • Technology to support client service • Enhancement of research and marketing strategies	• Aggressive expansion and development of business lines and markets • Pursuit of strategic alliances, acquisitions and mergers consistent with our co-operative values • Pursuit of investment capital • Development of integrated technology solution	• Business line growth • Comprehensive risk framework optimizing risk on overall portfolio
Measure of Success	• A highly motivated and skilled workforce with leadership well-positioned to move our organization into the future	• Strengthened client relationships and increased client satisfaction	• Enhanced financial capacity and scope • Financial and technical capacity necessary to meet credit union needs moving into the future	• Improved shareholder value and ability to perform well in a risk-based regulatory environment

How We Share Our Success

The Heart of our Business – Social Responsibility

The Canadian co-operative movement found its start early in the 20th century when average working Canadians had limited access to many basic services. Co-operative financial institutions were developed with the philosophy that everyone deserved the opportunity to achieve financial well-being. Their social and economic values went beyond earning profits to encompass a concern for the interests of their members and their communities.

Today, Canadian co-operatives are major contributors to the social and economic health of their communities and the nation as a whole. The Canadian co-operative financial system employs over 24,000 people, serves 4.9 million members and manages assets of over $91 billion.

At Concentra Financial, we're very proud to be a part of this system. We are a co-operative organization and social responsibility is an inherent part of our make-up.

When you put people at the heart of your business, sharing your success just comes naturally.

Corporate Social Responsibility

As a co-operative, Concentra exists to add value to the communities we serve. For us, corporate social responsibility is about aligning our business and corporate giving practices with our co-operative values. While we have a long tradition of supporting our communities, we are now beginning to take a more intentional approach to corporate social responsibility. With the enhancement of our Corporate Social Responsibility Program, we are now asking ourselves: how can we make the most meaningful positive impact? Going forward, our Corporate Social Responsibility Program will focus on balancing our approach within a framework of four key areas.

Social and Community: As a member of the Imagine Program, Concentra pledges to donate at least 1% of our pre-tax profits to Canadian communities annually. We believe in supporting and strengthening the ability of our system to make a real difference in the communities we serve. We do this through our involvement in and sponsorships of community and charitable events across the country. We are particularly proud of the fundraising initiatives led by our employees in support of worthwhile causes such as the United Way. Our United Way campaigns have been outstanding with enthusiastic employee participation in special events held year round to raise funds.

Concentra also contributes socially by providing a positive work environment with a focus on open communication, work/life balance and wellness. Innovative benefits, such as the on-site fitness classes offered at one of our corporate offices, contribute to the creation of a healthy and rewarding workplace. In 2006, Concentra was recognized for its practices in this area with a Saskatchewan Work and Family Balance Award.

Economic: For Concentra, the most important impact we have is through our contribution to the economy. The business solutions we offer to our clients and partners support them in providing Canadians with innovative financial products such as loans, mortgages, leases, trust services and deposit services at fair interest rates. We also have an important impact on the economy through the financial services we support credit unions in providing to small- and medium-sized business – the driving force behind Canada's economy.

Our work with co-operative housing projects as well as our participation in the Co-operative Housing Federation of Canada also help to build the economy. And as an employer, Concentra provides jobs to over 450 Canadians.

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

– International Co-operative Alliance

Governance: Concentra is owned and directed by credit unions as well as credit union and co-operative organizations from across the country. Our governance practices align with co-operative principles ensuring all members have a voice in our business operations. Our focus is to provide needed services to our members. The Concentra board of directors adheres to high standards as set out in our Leadership Principles of Honesty, Respect, Trust, Compassion, Courage and Integrity.

Environmental: While our day-to-day business has a relatively minor impact on the environment, it's important to Concentra that we make a meaningful contribution in this area. Currently, our environmental practices are informal with our employees encouraged to recycle and conserve paper and efforts made to ensure that our buildings and cafeterias are environmentally friendly.

As we move forward with our Corporate Social Responsibility Program, we will work toward ensuring that our efforts in all four of these areas are balanced to create the most meaningful positive impact.

Our Partners

Building strong and dynamic partnerships is a fundamental part of our business and key to achieving our vision. To help maintain and advance the credit union system's competitive positioning, we are currently exploring a range of innovative partnership opportunities. Working together with like-minded organizations, Concentra is positioned to create a future full of opportunity.

Currently, Concentra works in partnership with credit unions and credit union centrals across Canada as well as Celero Solutions, CU Electronic Transaction Services, Credential Financial Inc., League Savings and Mortgage and a number of other organizations.

Celero Solutions

Launched in 2003 as a joint venture between five co-operative organizations – Alberta, Saskatchewan and Manitoba Centrals, Concentra Financial and CUETS – Celero Solutions is fulfilling its mandate to deliver reliable, innovative and cost effective information technology solutions to its parent organizations, credit unions and other clients. Celero has approximately 330 employees located at offices in Calgary, Regina, Saskatoon and Winnipeg.

Along with Metavante Corporation (51%), Celero (49%) is an owner of Everlink Services Inc., a leading-edge electronic transaction switching service provider in Canada. Everlink's target market includes Canadian credit unions, banks and independent service organizations of all sizes.

CU Electronic Transaction Services (CUETS)

Concentra works with CUETS to provide credit unions with a complete range of card-related services, including MasterCard®-branded products. With 550 employees working out of its head office in Regina, a credit union MasterCard Contact Centre in Winnipeg and several regional sales offices, CUETS partners with credit unions and the caisse populaire system to provide a full range of card and merchant services to their members.

Through our alliance with CUETS, Concentra Financial facilitates the Credit Union MasterCard and merchant arrangements. Concentra is the issuer of the Credit Union MasterCard (licensed by CUETS Inc., which is 10% owned by Concentra) and holds the card receivables. CUETS provides full management of the CU Credit portfolio, and makes operating decisions in that portfolio, which is owned by Concentra.

CUETS also provides management and operational services to CUETS Acquiring Inc., a wholly-owned subsidiary of Concentra Financial. CUETS Acquiring Inc. provides merchant processing and acquiring services through Unified Network Payment Solutions® (UNPS), a partnership with First Data Acquisition Corporation.

Credential Financial Inc.

Credential Financial Inc. (Credential®) is the wealth management distribution company for the Canadian credit union system and parent company for several entities that distribute investment and insurance products and advice: Credential Asset Management, Credential Securities®, Credential Direct®, Credential Insurance Services, and Credential Financial Strategies. Credential Asset Management is the principal distributor of proprietary mutual funds managed by the Ethical Funds Company®.

In 2006, Credential's commitment to delivering a premium wealth management offering was reflected in a number of high profile achievements. Credential Direct was named the nation's #1 online broker; 100% of Credential Select Portfolio Funds assets outperformed the median; and a new Business Planning System was launched to credit unions – the first and only planning software of its kind in North America. And all this was accomplished while Credential experienced unparalleled sales and transaction activity across its business lines.

Through our partnership and alliance agreement with Credential, Concentra provides credit union clients with access to knowledgeXchange®, a secure extranet system that facilitates delivery of an extensive range of program manuals, training material, tools, reporting and support for the registered plans and Member Trust Services programs.

League Savings and Mortgage

League Savings and Mortgage (League Savings) works to enhance credit union capability and success by supporting Atlantic credit unions in providing mortgage and deposit products to their members. Concentra and League Savings have strengthened our relationship through a strategic alliance that brings together League Savings' knowledge of Atlantic credit unions with the expanded product and service offering available through Concentra. The alliance will facilitate co-operation between League Savings and Concentra, better positioning both of our organizations to enhance the value we provide to credit unions in this region.

Credit Union Central of Nova Scotia is the controlling shareholder of League Savings with additional shares owned by Nova Scotia and Prince Edward Island credit unions and by New Brunswick Credit Union Central on behalf of that province's credit unions.

Where You Can Find Us

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